ARAG HOLDING SE ANNUAL REPORT 2014 CONSOLIDATED FINANCIAL STATEMENTS

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The Future in Focus.

The ARAG Group at a glance

Premium revenues/Sales:

€ 1.65 billion

Previous year: € 1.58 billion

Combined ratio:

95.5 %

Previous year: 93.7 %

Underwriting result for own account:

€ 60.6 million

Previous year: € 52.5 million

Equity (Tier 1):

€ 401 million

Previous year: € 394 million

Profit on ordinary business:

€ 84.5 million

Previous year: € 76.1 million

Net income before external components:

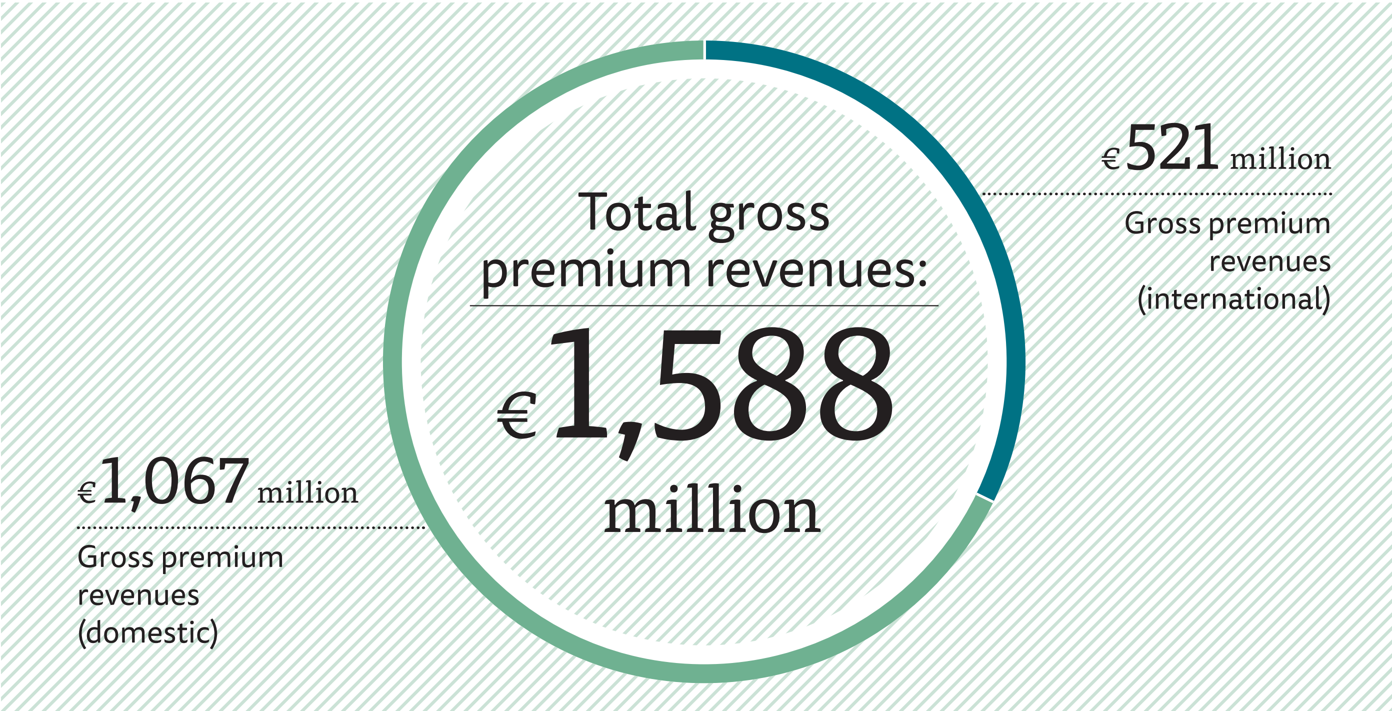
€ 47.2 million

Previous year: € 48.8 million

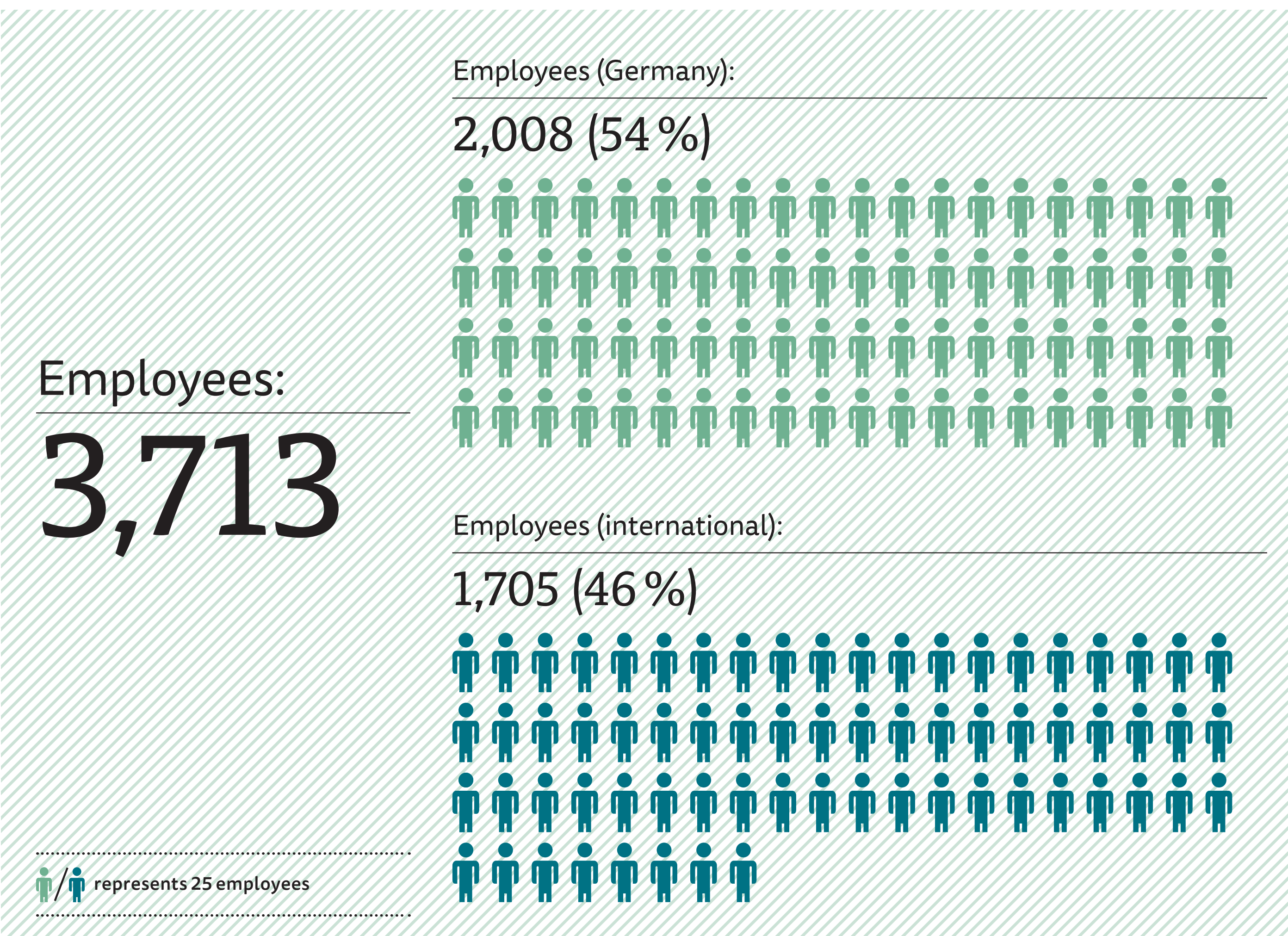
The Future in Focus

ARAG is ideally equipped for the future. Our Group experienced significantly more growth in 2014 than expected. We rely on modern and innovative products and services offering optimal benefits for our customers. We also bear progressive digitalization clearly in mind. A good quarter of our new business in the German legal insurance sector is already conducted online. Our goal is to expand this model, primarily at the international level. Overall, we will develop our digital service and information offerings progressively so that our future customers will also perceive us as what we are, namely an independent, versatile, and innovative quality insurer.

Gross premium revenues by domestic and international business



Employees, number and distribution



Insurance segments of the ARAG Group and its managing companies

Legal insurance
ARAG SE

€ 787 million*

Previous year:

€ 747 million*

Legal insurance for motorists, employment, personal and home insurance, for business, trades, self-employed professionals and associations

Composite insurance
ARAG Allgemeine Versicherungs-AG

€ 239 million*

Previous year:

€ 227 million*

Liability insurance, home effects insurance, accident insurance, accident benefits, Top Special Service Package, buildings insurance, business insurance, sports insurance

Health insurance
ARAG Krankenversicherungs-AG

€ 341 million*

Previous year:

€ 332 million*

Private, full-coverage health insurance, supplementary health insurance, long-term care insurance, supplementary care insurance, occupational health insurance, foreign travel health insurance

Life insurance
ARAG Lebensversicherungs-AG

€ 222 million*

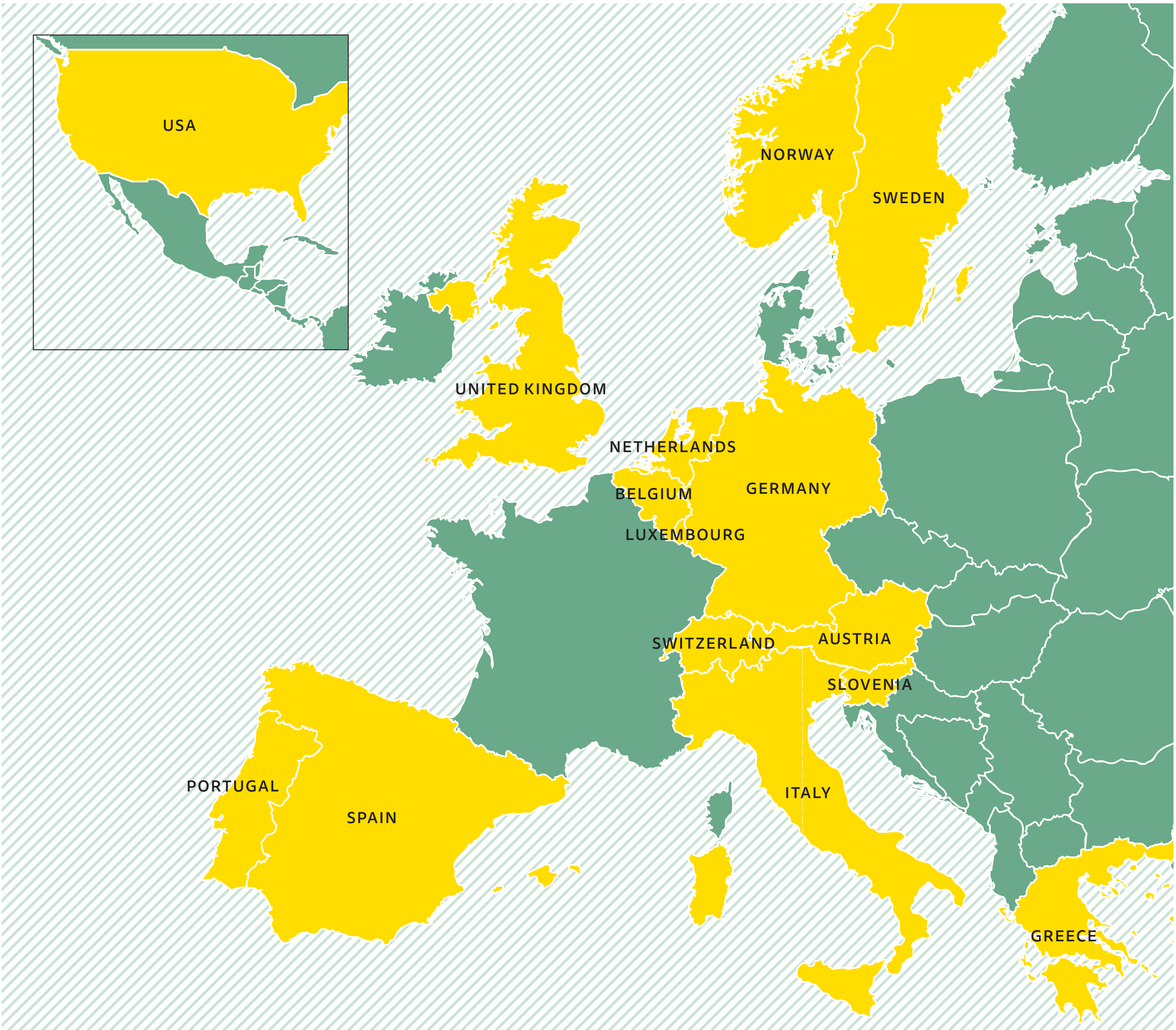
Previous year:

€ 225 million *

Mutual-fund linked pension insurance, private pension insurance (including Riester/Rürup plans), endowment life insurance, risk life insurance, disability, survivors' and accidental-death supplementary insurance, company pension plans

* Gross premium revenues

ARAG Group locations



Selected awards won by the ARAG Group

"Golden Bull" awarded by Finanzen-Verlag: ARAG Aktiv Immobilie Premium legal insurance was awarded second place at the "Insurance Innovation of the Year". ARAG Krankenversicherung is still the brokers' favorite supplementary health insurer: For the 29th time in succession, it came out top in the **"Ass Compact Trends"** survey. ARAG was awarded a Seal of Excellence for the 5th time at the **"Corporate Health Awards"**.

"Best Places to Work in Insurance": The trade publication Business Insurance awarded ARAG North America this accolade for the 6th year. The Benchmark Portal recognized the customer service center of ARAG North America as a **"Center of Excellence"** for the eighth year running and as one of the **"Top 100 Call Centers"** for the fourth consecutive year. The company's advertising and marketing activities also received **numerous accolades from professional associations**.

For the third consecutive year, British industry journal, Claims Magazine, named ARAG's UK subsidiary ARAG plc **"Personal Injury Insurance Provider of the Year"**. For the second year running, the Company was also named **"Legal Expenses Team of the Year"** at the Underwriting Service Awards and also scooped **"Underwriting Service Awards Team of the Year"**.

Innovación Aseguradora presents awards for Spanish insurance company websites. ARAG Spain achieved recognition in 2014 in the "Customer Service" category. It came out on top in the **"Mobile Experts Awards"** for its Google adwords branding campaign. The family-friendly company policy received a prize at the **"Premio Cataluña Empresa Flexible"** awards.

ARAG Italy took top spot at the **"Premio internazionale Le Fonti"** in the Commercial Legal Insurance category with its innovative range of products and at the first **"Italy Protection Awards"** in the Special Insurance category. ARAG Netherlands was awarded the **"UEFA KISS Marketing Award"** in the "Grassroots Marketing" category for its campaign with the Dutch Soccer Referees' Association.

The ARAG Group

Asset and Shareholding Management

ARAG Holding SE

Operative Group Holding Company and Legal Insurance

ARAG SE

- Central Group Functions
- Group Sales
- Group IT/ Business Organization/ Operations
- Group Finance
- Products and Innovation
- Group Risk Management/ Controlling

Operative Insurance Companies

- **ARAG Allgemeine Versicherungs-AG** (Composite Insurance)
- **ARAG Lebensversicherungs-AG** (Life Insurance)
- **ARAG Krankenversicherungs-AG** (Health Insurance)
- **Interlloyd-Versicherungs-AG** (Specialized in Broker Sales)
- **International companies** (Legal Insurance/ Legal Services)

Service Companies

- **ARAG IT GmbH** (IT services for ARAG Group)
- **Cura Versicherungsvermittlung GmbH** (Brokerage Firm)
- **ARAG Service Center GmbH** (Emergency Telephone Service)

Contents

Overview

Key Figures ARAG Holding SE – Consolidated Financial Statements

(in million euros)	2014	Change	2013	2012
Sales				
Gross premiums written	**1,588.2**	**3.8 %**	1,530.1	1,508.9
Earned premiums for own account	**1,567.6**	**3.4 %**	1,516.4	1,496.5
Sales revenues of non-insurance subsidiaries	**57.6**	**14.7 %**	50.2	40.9
Costs				
Cost of claims for own account	**985.9**	**5.4 %**	935.7	892.9
Claims ratio (basis: earned premiums)	**62.9 %**	**1.2 % pts.**	61.7 %	59.7 %
Cost of insurance business for own account	**511.5**	**5.4 %**	485.4	505.1
Cost ratio (basis: earned premiums)	**32.6 %**	**0.6 % pts.**	32.0 %	33.8 %
Overview of profit and loss				
Underwriting result for own account	**60.6**	**15.4 %**	52.5	64.2
Income from capital investments	**273.5**	**22.9 %**	222.6	238.2
of which included in the underwriting result	**201.0**	**23.3 %**	163.0	166.9
Other income/expenses	**– 55.0**	**– 31.6 %**	– 41.8	– 46.6
Profit on ordinary business	**84.5**	**11.0 %**	76.1	92.0
Net income before deduction of external components	**47.2**	**– 3.3 %**	48.8	39.2
Underwriting reserves/earned premiums (net)	**353.2 %**	**1.6 % pts.**	351.6 %	344.3 %

Profile of the ARAG Group

An overview

The ARAG Group is the largest family enterprise in the German insurance industry and is one of the three leading providers of legal insurance worldwide. Founded over 80 years ago as a legal insurance company, ARAG is positioning itself today as an internationally successful, innovative quality insurer. Together with cross-segment expansion in the German market, the Company is also targeting potential areas for growth in the international legal insurance industry. Outside Germany, the ARAG Group is active in 13 other European countries and the US, through branches, subsidiaries and holdings. With over 3,700 employees, the Group generates revenue and premiums totaling €1.6 billion.

ARAG SE is responsible for strategic Group management and the operational legal insurance business in Germany and abroad. The other ARAG insurance and service subsidiaries are responsible for the operational management of their respective lines of business. The asset management company, ARAG Holding SE, forms the corporate umbrella of the Group with its direct and indirect subsidiaries.

Legal insurance

In its core legal insurance segment, ARAG plays a major role in shaping its markets both in Germany and abroad with innovative products and services. The international legal insurance business has been the Group's largest field of business for some years now. In order to develop these strengths more efficiently and effectively in the future, six international subsidiaries have been operating as branches under the ARAG SE umbrella since 2012. In addition, ARAG SE contributes increasing legal insurance premiums earned in its German domestic market to the Group's overall success.

Composite insurance

In a highly competitive market, our composite insurer, ARAG Allgemeine, is proving to be an attractive provider of property, liability and accident insurance that achieves many top rankings in independent performance comparisons. In addition, this subsidiary is Europe's largest sport insurer, covering around 20 million recreational and competitive athletes. The subsidiary Interlloyd supplements the Group's portfolio as a brokerage specialist in the commercial and private customer segment.

Personal insurance

With a broad spectrum of superior performance products, ARAG Kranken underscores its role as an attractive provider of full-coverage and supplementary health insurance in the private health insurance market. ARAG Leben repositioned its range of products in 2006 from traditional life insurance policies to the successful product family of fund-linked "ARAG FoRte 3D" policies.

Dr. Dr. h. c. Paul-Otto Faßbender

Foreword

The ARAG Group proved extremely agile and in good shape in fiscal year 2014. The Group increased its growth rate and once again improved its earnings power. The figures are testimony to ARAG's ongoing development at a high level. Incorporating important international markets directly into our overall management structure proved to be the right strategy. We are pleased to note that the resulting changes have shown signs of success much sooner than we originally anticipated.

Its new structure allowed ARAG to step up its pace significantly, due not least of all to the more complete integration of significant elements of our European business. This enabled us to act quickly in the highly recessionary markets in southern Europe and exploit new growth options. ARAG is on course for positive growth again in Spain, Italy and Greece. Overall, the Group's international business demonstrated dynamic growth with an increase of 6.4 percent.

In the extremely demanding German market, ARAG recorded well above-average growth of 2.5 percent. Self-contracted legal insurance business in Germany came through its lengthy dry spell showing a clear increase of 2.8 percent. Health insurance, the largest ARAG business segment in Germany, also showed vigorous growth once again.

Group premium growth was accompanied by good profitability. Net income before taxes and external components grew appreciably to over €84 million. The Group underwriting result showed a gain of 15.4 percent.

The ARAG Group shareholders are satisfied with the Group's structure and strategic orientation. ARAG is in command of its diversified international business model. The versatility of our company is one of our strengths. ARAG has continued to grow dynamically following completion of the restructuring process. Naturally, our employees benefit from this, but, more importantly, so do our customers in 15 countries.

Paul-Otto Faßbender

Dr. Dr. h. c. Paul-Otto Faßbender

Group Management Report

Development of premium income and sales

(in million euros)	2014	2013	2012
Legal insurance	**787.2**	**746.9**	**720.4**
of which domestic	312.5	300.6	296.9
of which international	474.7	446.3	423.5
Composite insurance	**238.8**	226.5	227.6
of which domestic	192.8	183.7	181.1
of which international	46.0	42.8	46.5
Life insurance	**221.6**	225.0	229.6
Health insurance	**340.5**	331.7	331.3
Service subsidiaries	**57.6**	50.2	40.9
Total	**1,645.7**	1,580.3	1,549.8

- ARAG Group shows 4.1 percent growth
- ARAG with above-average growth in Germany
- German legal insurance business continues to grow
- Legal insurance and composite insurance business are the biggest earners
- International business profits more than doubled
- Clear overall improvement in underwriting result
- Significant rise in net income before taxes and external components

Group Management Report

I. Principles of the Group

The ARAG Group is the largest family-run insurance enterprise in Germany, and is one of the leading providers of legal insurance worldwide. As a versatile quality insurer, in addition to its core legal insurance business, ARAG also offers its customers in Germany needs-based products and services through its strong subsidiaries in the composite, health and life insurance segments.

The Group's product range focuses on modern insurance concepts for private and corporate customers. The modular structure ensures that customers can obtain coverage that precisely fits their individual needs. Increasingly, the products are supported by supplementary services extending beyond the core risk coverage provided. One current example is the new ARAG web@aktiv Plus Internet policy. This cyber cover for private individuals not only offers improved legal insurance services, but also additional compensation in cooperation with ARAG Allgemeine. It takes effect, for instance, if a product is bought online and paid for in advance, but is not delivered. This product approach is also used successfully in the other segments, for example by including attractive assistance benefits in the new ARAG Allgemeine "ARAG Existenz-Schutz" disability insurance policy or the new ARAG Krankenversicherung "ARAG IndividualPflege" daily nursing care policy.

ARAG began operating outside Germany for the first time over 50 years ago. The principal idea was to give ARAG's German legal insurance customers support with claims through the Group's own international subsidiaries. However, it became clear that this model was not inherently sustainable. Nonetheless, there was actually demand for legal insurance as such in these countries and new business models were developed in line with the respective local conditions and new markets were secured. Today, ARAG operates successfully in 14 European markets including Germany, as well as in the US.

In addition to its headquarters in Düsseldorf, the ARAG Group also has active branches, via ARAG SE, in Belgium, Greece, Italy, the Netherlands, Austria, Portugal, Slovenia and Spain. This central organizational structure was created through the star-shaped merger of previously autonomous subsidiaries in 2012. The international branches conduct their operational business in their national markets independently, under consideration of the specific features of each nation.

This consistent further development has enabled the ARAG Group to adapt its company structure in order to face future challenges while taking account of its advancing internationalization.

II. Business report

Overall economic and industry conditions

Global economic trends and developments in the Eurozone in particular were more sluggish than expected. In addition, the Russia-Ukraine crisis and other conflicts suppressed the mood of companies and consumers. In spite of an increase in global industrial production in summer 2014, the global economy essentially remained muted, both in industrialized and threshold countries. Positive stimuli came from the US, the UK and several emerging economies in Asia. The geopolitical conflicts not only had direct consequences for the regions affected, but also paved the way for increased uncertainty in the rest of the world. These conflicts prompted an adjustment of economic expectations particularly in Europe. Against this backdrop, the International Monetary Fund (IMF) once again revised its growth forecast for the world economy slightly downwards in October. It is now expecting a 3.3 percent increase in world gross domestic product for 2014 following an original forecast of 3.7 percent.

Recovery in the Eurozone has been disappointing to date. Following a slight increase of 0.2 percent in the first quarter of 2014, GDP stagnated in the second quarter of the year. The economic situation in the individual countries continued to develop differently. While Germany, Italy and other countries experienced setbacks and the gross domestic product in France remained virtually unchanged, the Netherlands and Poland, for example, reported positive growth figures. In the southern Member States, however, tight public finances and restrictive credit terms once again had a dampening effect. Overall, economic recovery in the Eurozone remained hesitant and weak. The IMF set its growth forecast for the Eurozone in 2014 at a positive figure of 0.8 percent.

In spite of this, many fundamental aspects of the German economy remain sound. Company competitiveness, solid public budgets, the robust labor market, stable prices and stimulating low interest rates suggest that upward trends will prevail strongly again as soon as the uncertainty eases. The German Federal government is expecting a price-adjusted rise in gross domestic product of 1.2 percent for 2014.

The situation on the German labor market remained positive in spite of the economic slowdown halfway through the year. The number of people in paid work in Germany exceeded 43 million for the first time in October 2014. The trend in increasing numbers of employed persons, due primarily to higher immigration to Germany and a virtually constant unemployment figure of 2.8 million, continued.

Private households enjoyed significant purchasing power gains as a result of the low price increases. The German Insurance Association (GDV) is working on the basis of an inflation rate of 1.1 percent for 2014. In the environment of low interest rates, private consumption continued to be supported by a comparatively low tendency to save. The German Federal Government estimates a price-adjusted increase in private consumer spending of 1.0 percent for 2014.

Growth on the capital markets was dominated in the second half of the year by the economic downturn and the further easing of monetary policy by the European Central Bank (ECB). The base rate was reduced to 0.05 percent in September. As a result, the yields on ten-year government bonds in Germany dropped further and reached an all-time low at 0.6 percent. As a consequence of the low interest rate, share values rose to new all-time highs. The German stock index DAX recorded a gain of around 4 percent. The Euro Stoxx 50 index also posted a slight gain of just under 2.5 percent.

Unlike the wider economy, the insurance industry gained momentum compared to the start of the year. Based on the whole of 2014, the current extrapolations by the GDV for the insurance industry overall indicate premium growth of around 1.5 percent compared with the previous year. Gross premiums written in self-contracted property and accident insurance business increased according to this extrapolation by 3.2 percent. Thus the strong growth of the previous two years continued. Premium growth was more moderate in the legal insurance segment, at around 2.0 percent. In the health insurance segment, the industry saw premium income rise by 1.0 percent. The life insurance segment continued to operate in a difficult environment, and now faces the additional challenge of continuing to generate the guaranteed interest return during the period of persistently low interest rates. According to the GDV, this insurance segment is likely to grow by 0.7 percent.

In view of the claims situation in the property insurance segment, significant relief is projected for 2014 after the extraordinary hail and natural hazard events in 2013. In spite of a large number of local storms, there was only one noteworthy cumulative event in 2014: the wind and hail storm that occurred over the Whitsun weekend, dubbed Ela. Ela gave rise to claims expenditure totaling around €400 million, however this storm was not nearly as costly as the summer storms and flooding in the previous year. In the legal insurance business, the increase in attorneys' and court fees implemented on 1 August 2013 made itself felt resulting in the GDV forecasting a combined loss and expenses ratio of 103 percent for 2014. On the international legal insurance markets, for example, the new legislation regarding the right of insured persons to choose their own lawyer in the Netherlands and the new sales tax obligation relating to attorney services in Belgium influenced the legal insurance markets in these countries.

Business development

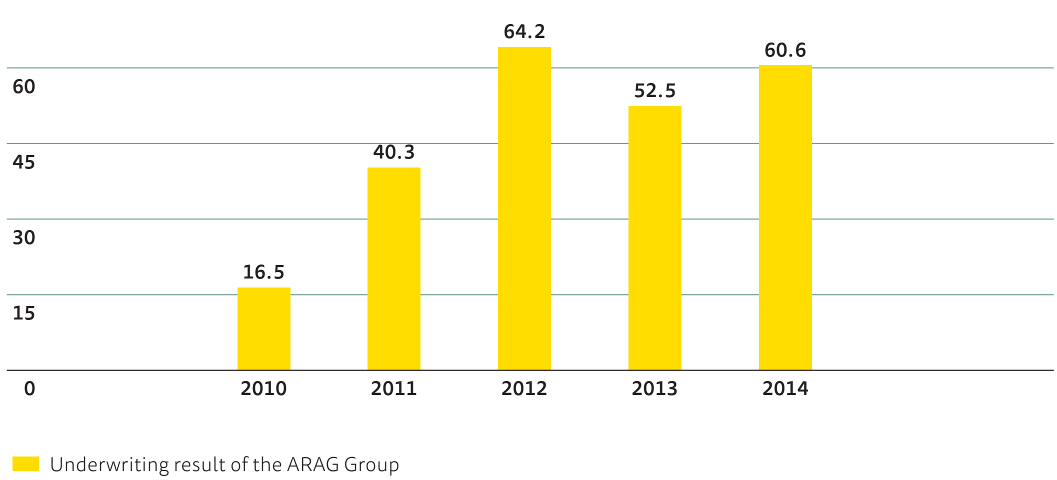
In an environment that remained challenging, the ARAG Group increased its gross premium revenues by 3.8 percent to €1,588.2 million in fiscal year 2014. After revenue from premiums in the self-contracted legal insurance business achieved a turnaround for the first time in 2013 following a long period of decline, this growth trend was consolidated in the year under review with an increase of 2.8 percent. Clear gains were also achieved in international legal insurance business, composite insurance and health insurance. However, as expected, the life insurance segment recorded a decline in sales due to the challenging conditions in the low interest rate environment.

The cost of claims grew in line with the expanded business volume from €935.7 million in the previous year to €985.9 million in the fiscal year under review: German composite business by €24.3 million, German legal insurance business by €16.0 million, life insurance business by €10.4 million and health insurance business by €6.3 million. In contrast, the cost of claims in the international legal insurance segment was reduced by €8.6 million.

The cost of insurance business was up 5.4 percent. Commissions also increased due to the expansion of business volume as well as staff costs on account of the slight increase in staff at the headquarters in Düsseldorf. The cost of insurance business rose accordingly to €511.5 million. The cost ratio was up slightly in the year under review from 32.0 percent to 32.6 percent.

Development of the underwriting result

(in million euros)



The ARAG Group's underwriting result improved significantly again from €52.5 million in the previous year to €60.6 million. The main drivers of this improvement were international legal insurance business and health insurance. All insurance segments with the exception of legal insurance in Germany achieved an underwriting profit. A loss was incurred in the German legal insurance segment as expected. This was due to external influences such as the increase in attorneys' and court costs in Germany.

The healthy income from capital investments generated in the previous year has risen again due to the continued upward trend in the capital markets during the year under review. Write-ups, gains on disposals resulting from restructuring and lower depreciation increased income from capital investments by 22.9 percent compared with the previous year to €273.5 million.

Other income and expenses includes a loss of €55.0 million which, as expected, turned out to be higher than in the previous year (€41.8 million). The main reasons for this were the expenses for pension plans and subsequent performance obligations arising from service contracts.

Profit on ordinary business again reached a very good level at €84.5 million, following a profit in the previous year of €76.1 million and the record result of €92.0 million in 2012.

The extraordinary result of –€0.3 million (previous year: –€0.3 million) relates to expenses arising due to application of the transitional provisions of the Introductory Law to the German Commercial Code (EGHGB) regarding the reporting of pension provision obligations.

Net income after deduction of external components of €45.2 million was slightly below the level in the previous year of €46.8 million

Premiums/sales The premium revenues of the ARAG Group insurance companies rose by a further 3.8 percent from €1.53 billion to €1.59 billion in the fiscal year under review due to the successes of the German sales divisions, the successful countermeasures implemented by the local branches to combat the financial crisis in southern Europe and the increase in market penetration in Norway and Sweden.

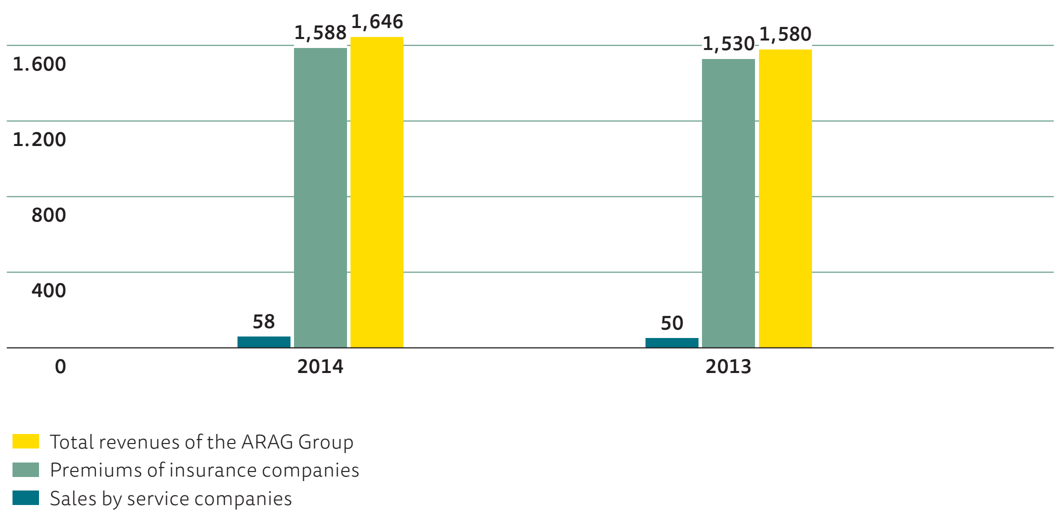
The biggest growth in the Group was achieved in the international legal insurance segment, which recorded a rise in premium revenues of €28.5 million.

In the highly competitive German insurance market, the ARAG Group achieved growth of 2.5 percent despite the decline in new business in the life insurance segment. Consequently, ARAG developed better than the market (1.5 percent). Total premium revenues in Germany amounted to €1.07 billion compared with €1.04 billion in the previous year. The domestic legal insurance segment posted an increase in premium revenues of €11.9 million to €312.5 million. The German composite insurance segment rose by €9.1 million to €192.8 million. The health insurance segment grew by €8.7 million to €340.5 million. On account of the persistently low interest rates, the ARAG Group life insurance segment recorded a decrease in premiums of €3.4 million to €221.6 million. Sales generated by the Group's service subsidiaries rose by €7.4 million to €57.6 million.

All in all, premium revenues and sales of the ARAG Group rose by 4.1 percent from €1.58 billion in the previous year to €1.65 billion in the year under review.

Overall performance

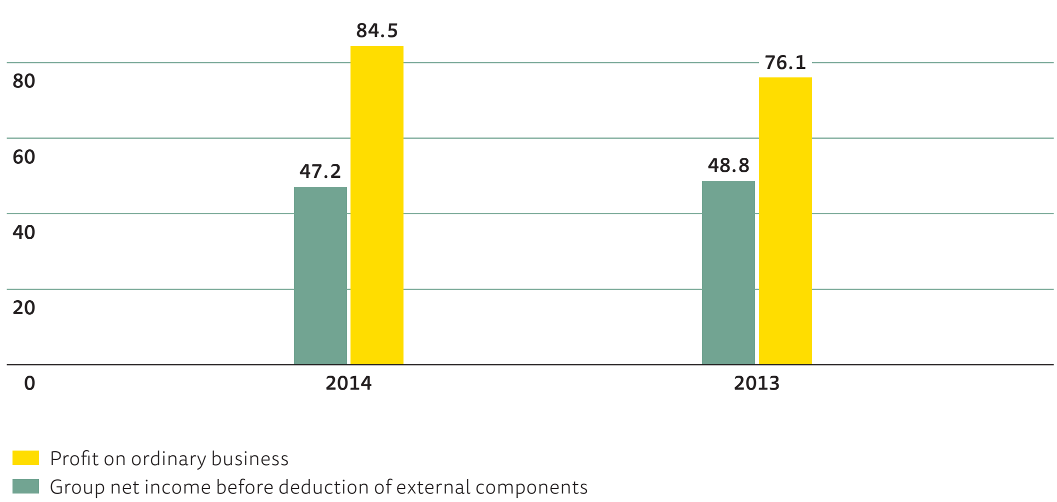
(in million euros)



The Group's portfolios comprise 6.4 million policies (previous year: 5.7 million policies). Our international business accounts for 2.9 million of these policies (previous year: 2.3 million). Domestic sports business (composite segment) comprises a further 20.8 million insured risks, which enjoy the benefits of ARAG insurance cover through group policies involving 18 state sports associations.

Group performance

(in million euros)



Earnings situation

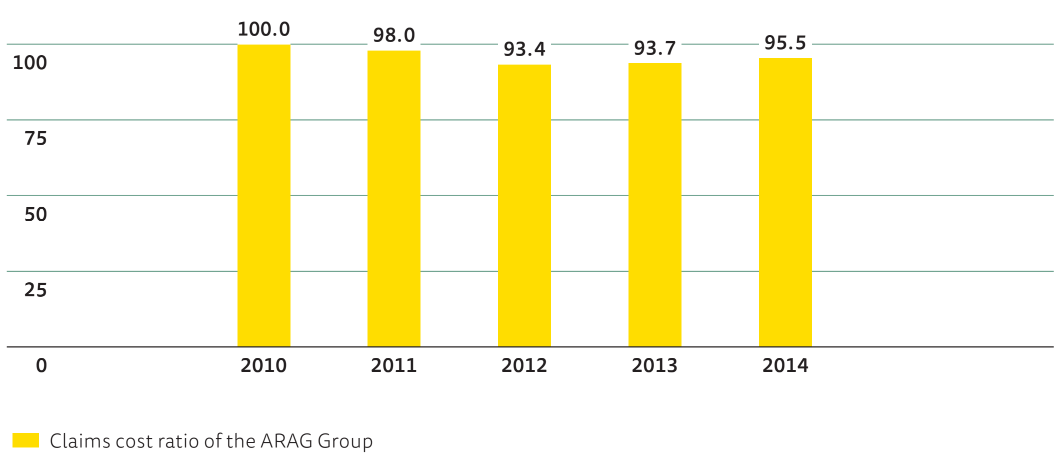
After the record result in 2012 and the extremely good result in 2013, the Group emphasized its excellent earning power once again in the year under review. The underwriting result rose from €52.5 million in the previous year to €60.6 million. This increase was achieved in spite of the external pressures as a result of the higher attorneys' and court costs in Germany and the extended right to choose one's own attorney in the Dutch market.

The cost of claims rose compared with the previous year due to these external pressures and changes in claims settlement expenses in the domestic composite segment from €935.7 million to €985.9 million. The Group claims ratio increased accordingly from 61.7 percent to 62.9 percent.

Due to the higher commission expenses on account of the increase in new business and due to the expansion of administrative roles at Group headquarters, the cost of insurance business was also higher. Consequently, the Group cost ratio for fiscal year 2014 was up slightly from 32.0 percent to 32.6 percent. The Group combined ratio of 95.5 percent was above the level in the previous year of 93.7 percent.

Development of combined ratio

(in percent)



The sharp increase in income from capital investments of €50.9 million to €273.5 million was due mainly to ordinary earnings of €231.6 million (previous year: €217.2 million) and the balance of €54.7 million (previous year: €19.3 million) from write-ups and gains from disposals arising from price recoveries as well as write-downs in the case of long-term impairment and losses from disposals.

Other income and expenses was affected by additional expenses for pension plans as well as by subsequent performance obligations arising from a service contract. Net expenditure fell accordingly in the fiscal year from –€41.8 million to –€55.0 million.

Taking account of all the influencing factors, profit on ordinary business rose from €76.1 million to €84.5 million.

Extraordinary expenditure of €0.3 million was incurred on account of the revaluation of pension reserves and senior part-time retirement obligations in application of the transitional provisions of the German Accounting Law Modernization Act (BilMoG).

Overall, net income before taxes and external components increased over the previous year from €75.8 million to €84.2 million, thus falling just short of the record earnings of €88.7 million generated in 2012. Tax expenditure in the fiscal year under review increased significantly over the previous year from €27.1 million to €37.0 million. Thus, in spite of higher pre-tax earnings, after deduction of taxes and external components, Group net income was 3.4 percent lower than in the previous year at €45.2 million.

Financial situation

The objective of financial management is to ensure that all obligations from the insurance business can be fulfilled at all times and to not merely meet the regulatory capital requirements for insurance companies, but to achieve surplus cover by means of sufficient capital and liquidity controlling. The subordinated liabilities stated in the balance sheet qualify as own funds within the meaning of the German Insurance Supervisory Act (Art. 53 c (3) No. 3 b VAG). The bond with a volume of €50.0 million is for an indefinite term and may be terminated by ARAG for the first time after ten years from the date of issue on 3 August 2015. The new registered debenture issued on 29 July 2014 in the amount of €30.0 million has a fixed term of ten years.

The ARAG Group pursued its conservative reserves policy consistently throughout the year under review. Underwriting reserves were increased once again by 3.8 percent from €5.33 billion to €5.54 billion. The ratio of underwriting reserves to earned premiums showed a corresponding rise from 351.6 percent to 353.2 percent.

Compared to the previous year, the Group's own funds and guarantee funds developed as follows:

Development of own funds

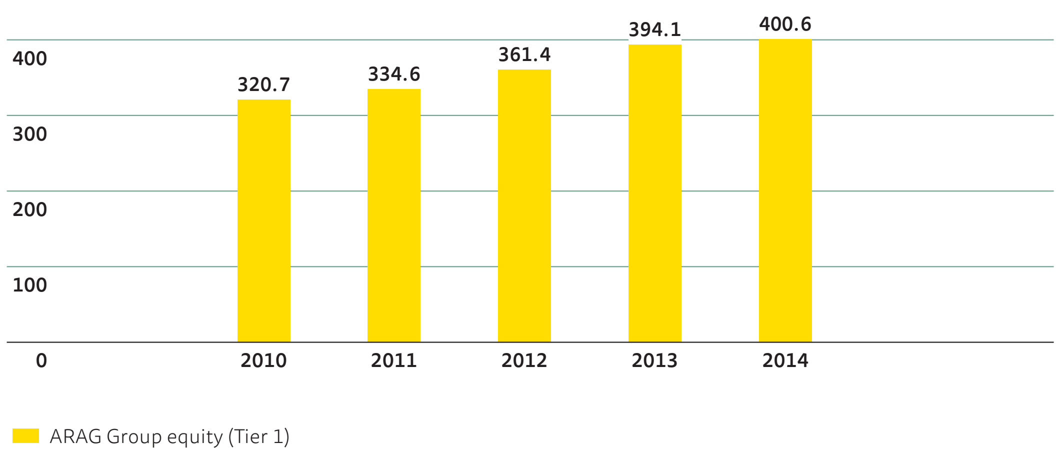
(in million euros)	**2014**	**2013**
Subscribed capital – paid in	200.0	200.0
Reserves	148.3	114.5
Capital shares of minority shareholders	7.1	32.8
Group net profit after deduction of external components	45.2	46.8
Total equity	**400.6**	**394.1**
Subordinated liabilities	80.0	50.0
Own funds	480.6	444.1
Underwriting reserves	5,536.3	5,330.9
Guarantee funds	**6,016.9**	**5,775.0**

Guarantee funds are covered by capital investments of €5,974.3 million (previous year: €5,702.8 million). To ensure that it can meet all payment obligations arising from its insurance policies at any time, the Group has at its disposal, in addition to current account balances at financial institutions and cash on hand amounting to €138.4 million (previous year: €132.6 million), capital investments that can be liquidated on the capital and financial markets at short notice.

For further details of the scope of capital investments and investments in intangible assets made during the fiscal year under review as well as the development of the Group's liquidity in the fiscal year under review, please refer to the Statement of Cash Flow on page 91.

Development of equity

(in million euros)



Asset situation

The capital investment portfolio of the Group grew by 4.8 percent from €5,702.8 million to €5,974.3 million in fiscal year 2014. The present values of these capital investments amounted to €6,802.3 million as of the day of accounting (previous year: €6,087.4 million).

The capital investment structure in comparison to the previous year is as follows:

Type of capital investment

(in million euros)			2014		2013
I.	Land and buildings	219.6	3.7 %	219.7	3.9 %
II.	Shares in affiliated companies and holdings	35.4	0.6 %	38.6	0.7 %
III.	Lending to affiliated companies and holdings	0.2	0.0 %	0.0	0.0 %
IV.	Stocks and investment fund shares	2,181.3	36.4 %	2,323.0	40.7 %
V.	Bearer bonds	1,433.5	24.0 %	1,206.6	21.1 %
VI.	Mortgages receivable and other similar rights	130.6	2.2 %	154.9	2.7 %
VII.	Registered debentures, promissory notes	1,625.9	27.2 %	1,304.9	22.9 %
VIII.	Bank deposits	231.3	3.9 %	332.3	5.8 %
IX.	Other lending	9.4	0.2 %	15.1	0.3 %
X.	Other capital investments	76.8	1.3 %	81.2	1.4 %
XI.	Portfolio receivables	30.3	0.5 %	26.5	0.5 %
Total		**5,974.3**	**100.0 %**	**5,702.8**	**100.0 %**

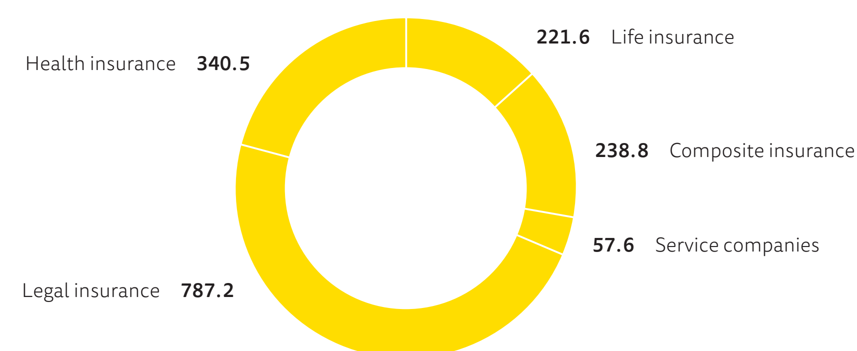
Segment reporting

The Group comprises the operational segments

- Legal insurance business
- Composite insurance business
- Health insurance business
- Life insurance business
- Services and asset management

Premiums and revenues by segment 2014

(in million euros)



Legal insurance business

Gross premium revenues

(in million euros)	2014	2013
Legal insurance	787	747

The legal insurance segment emphasized its role as the Group's largest and most rapidly growing business segment. The recovery of the markets in southern Europe (Spain, Italy and Greece) as well as the significant expansion of business volume in Norway and Sweden prompted growth of €40.4 million.

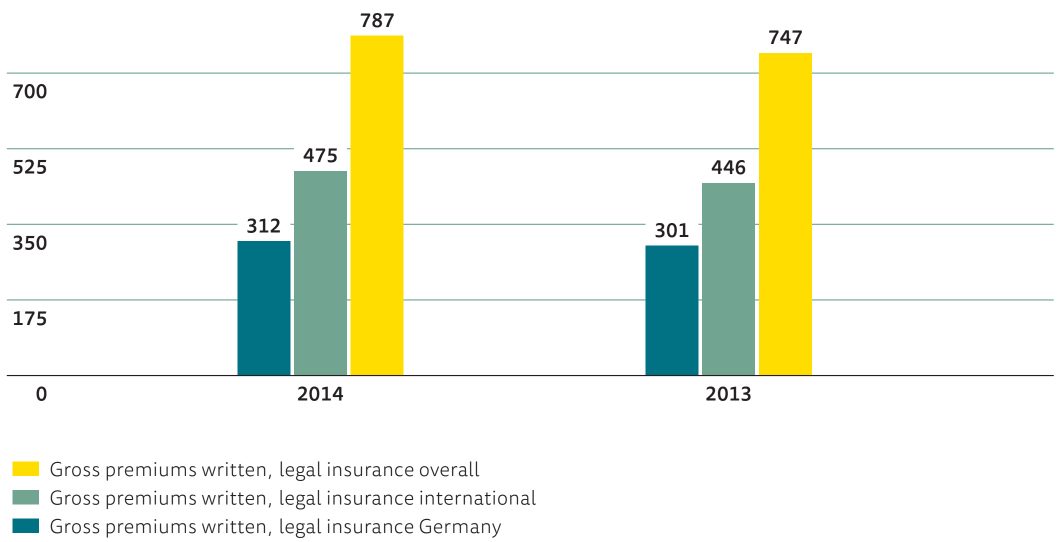
Building on an already high level in the previous year, gross premiums written once again increased significantly in the year under review by 5.4 percent. The share of premiums attributable to international legal insurance business again grew as scheduled compared with the German legal insurance business and now constitutes 60.3 percent (previous year: 59.8 percent) of the total legal insurance business. It is pleasing to see that after several years, the German legal insurance business has once again recorded clear growth.

The cost of claims was up in the entire legal insurance segment from €419.7 million to €427.1 million. The main reasons for this are indicated below in the following information regarding the German and international legal insurance business. The bottom line is that the claims ratio was reduced from 56.4 percent to 54.6 percent. The cost ratio rose, however, from 42.4 percent to 43.0 percent on account of the business expansion. The underwriting profit for the entire segment increased by €9.8 million to €22.5 million in the year under review.

Income from capital investments in the legal insurance segment amounted to €57.1 million compared with €48.3 million in the previous year. Profit on ordinary business amounted to €43.9 million (previous year: €36.6 million). This includes the net expenses from other income and expenses of €35.7 million which were €11.3 million less than in the previous year as a result of subsequent performance obligations arising from service contracts as well as pension plan obligations for passive employees in Germany.

Uninterrupted growth in international legal insurance business

(in million euros)



The **international legal insurance segment** continued to develop extremely positively during the year under review. The ARAG Group actively services customers in a total of 13 European countries outside Germany as well as in the US. The largest ARAG business units operate in Spain, the Netherlands and Italy.

Gross premiums written in the international legal insurance segment grew strongly by 6.4 percent (previous year: 5.4 percent) in the year under review from €446.3 million to €474.8 million.

Premium increases were achieved in virtually all countries. The strongest growth stimuli originated from the US (€10.6 million) and Norway (€10.4 million). As expected, premiums fell only in Austria and Slovenia (–€1.0 million total). Other premium income of €46.5 million (previous year: €42.8 million) originates from the legal-insurance-related special service package business conducted by ARAG SE's Spanish and Italian branches. This is stated in the composite segment. Including this figure, total income generated from international business amounted to €521.3 million

In the year under review, the cost of claims in the international legal insurance segment fell from €230.5 million to €221.9 million. This is due primarily to the downward trend in claims notified in Austria. In the previous year, the cost of claims was also affected by the sales tax obligation relating to attorney services in Belgium effective January 2014 and the provisions for the effects of the right of insured persons to choose their own lawyer in the Netherlands.

The combined ratio in the international legal insurance segment improved as a result of the aforementioned effects from 96.5 percent to 91.5 percent.

The 2013 fiscal year had already marked a turning point for **legal insurance business in Germany**. After many years of falling premiums, growth of 0.2 percent was achieved once again in the self-contracted business segment. This growth increased significantly in the year under review to 2.8 percent and was thus higher than the market average. This sustainable turnaround was achieved through modern, innovative legal insurance products that are attractive to consumers, strong claims support services and not least the professional customer service provided by the ARAG partners and core sales. In addition to the expansion of assumed business, gross premiums written totaling €312.5 million (previous year: €300.6 million) were generated in this business segment.

The cost ratio in the German legal insurance segment rose from 62.8 percent in the previous year to 65.7 percent in the fiscal year under review. This increase is a result of the rise in attorneys' and court fees applicable from 1 August 2013, the full impact of which affected late claims in the fiscal year. Furthermore, the higher assumed business volume resulted in a higher cost of claims as the zero position method in accordance with Art. 27 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV) was applied.

The net cost ratio rose in the fiscal year under review to 41.0 percent (previous year: 39.6 percent). This was due to additional commission expenses on account of the business expansion. Increased administrative requirements also necessitated a slight increase in the number of employees. The fluctuation reserve of €0.5 million was completely dissolved in the previous year.

Overall, the German legal insurance segment recorded an underwriting loss of €19.8 million (previous year: €5.4 million).

Gross premium revenues

(in million euros)	2014	2013
Composite insurance	239	227

Composite insurance segment

Gross premium revenues in the composite segment, managed by ARAG Allgemeine Versicherungs-AG, increased to €238.8 million in the year under review (previous year: €226.5 million). This increase is due mainly to the targeted modernization and strategic focus of the ARAG Allgemeine product portfolio and to the particular sales efforts made by broker insurer, Interlloyd Versicherungs-AG, a wholly owned subsidiary of ARAG Allgemeine. The recovery of the markets in Spain and Italy also had a positive effect: Premium income from the legal-insurance-related special service package business in the Spanish and Italian branches of ARAG SE is also posted in the composite segment; this grew strongly again during the fiscal year under review as a result of the economic recovery.

In Germany, premium income in this segment was up 4.7 percent. In the year under review, the Whitsun storm “Ela” led to higher claims costs in the building insurance segment. Furthermore, the distribution ratios for the assignment of functions in the “Sport” business segment were updated, which led to an increase in the cost of claims and to an easing of administrative costs. Overall, the cost of claims was therefore above the extremely good level of the previous year, which resulted in a cost ratio of 56.1 percent (previous year: 46.1 percent). The cost ratio fell slightly from 40.6 percent to 40.4 percent. The relief effects resulting from the updated assignment of functions offset the higher commissions for the increased new business in Germany. Underwriting profit before fluctuation reserve fell from €29.3 million in the previous year to €7.7 million. After the change in fluctuation reserve of €11.5 million, underwriting profit was €19.2 million (previous year: €22.5 million). Taking account of capital investment income, which showed an increase of €3.8 million, and other income and expenses, which fell by €0.5 million, the composite insurance segment generated profit on ordinary business of €28.0 million (previous year: €28.1 million) thus remaining the Group’s second biggest earner behind the legal insurance segment.

Gross premium revenues

(in million euros)	2014	2013
Health insurance	340	332

Health insurance segment

The ARAG Group’s health insurance segment continued its long-standing growth trajectory during the year under review. Compared with the previous year, gross premium revenues were up 2.7 percent and were significantly above the market average (1.5 percent). The market environment continued to be extremely demanding. There were hardly any stimuli for growth, particularly as regards full-coverage health insurance. The health insurance segment of the ARAG Group, however, managed to achieve dynamic growth in its traditionally strong area of supplementary insurance. With the future in mind, ARAG Krankenversicherungs-AG emphasized its potential, particularly in the development of new supplementary care insurance products, which gave rise to closer cooperation with exclusive partners during the year under review.

In terms of outlay, the increase in the cost of claims and the reduction in transfers to actuarial reserves totaled €300.8 million compared with €285.1 million in the previous year.

The underwriting result increased from €13.0 million to €18.1 million in the year under review. Income from capital investments was up by €11.9 million to €61.5 million compared with the previous year and consequently was higher than the planning figures.

Taking account of other income and expense items and transfers to provisions for premium rebates, the pre-tax result of €15.5 million was significantly higher than in the previous year (€10.6 million) and consequently also higher than budgeted.

Life insurance segment

Gross premium revenues

(in million euros)	**2014**	**2013**
Life insurance	222	225

The introduction of the German Life Insurance Reform Act (LVRG) in summer 2014 left the life insurance industry facing huge challenges. It also required a review of the entire product range factoring in the lower actuarial interest rate and the amended Minimum Allocation Regulation (Mindestzuführungsverordnung). Along with the already challenging environment of persistently low interest rates, this had repercussions on productive capacity in the Group life insurance segment during the year under review as expected: Gross premium revenues fell slightly from €225.0 million in the previous year to €221.6 million in the year under review. The growth of the Riester and ARAG Forte 3D portfolio with an increase in premiums that was higher than anticipated in some cases, demonstrated the strategic shift away from traditional products towards hybrid products. Here, premiums grew by 3.5 percent to €89.8 million (previous year: €86.3 million). Moreover, ARAG Lebensversicherungs-AG adopted a position as one of the first insurers in the still very new fee-based advisory service business segment offering attractive net rates and is continuing to develop its range of biometric products.

In terms of outlay, the cost of claims and the change in the actuarial reserve compared with the previous year led to an increase of €19.7 million to €318.5 million. Policy-writing costs increased by 14.8 percent to €37.8 million in the year under review. Administrative costs fell slightly, however, to €7.7 million compared with €7.9 million in the previous year. Income from capital investments rose by €26.8 million from €112.7 million to €139.5 million. After consideration of other income and expense items and taxes, a gross profit of €13.5 million (previous year: €11.0 million) was generated. This made it possible for €12.5 million (previous year: €11.0 million) to be transferred to the reserves for premium rebates. A pre-tax loss of €4.2 million was recorded as the Group net result following a profit of €0.7 million in the previous year.

Sales revenues

(in million euros)	2014	2013
Service companies	58	50

Services and asset management

This segment bundles all Group subsidiaries that provide central services outside of the pure insurance business or conduct non-insurance-related business – such as providing IT services or running a central customer emergency hotline for ARAG customers or a property development business for third parties. It also includes the holding companies, of which ARAG Holding SE is one. The Group insurance agency, Cura Versicherungsvermittlung GmbH, the insurance agent for the British reinsurance business and a property development business are included in this segment as well. Sales revenues of these non-insurance subsidiaries with external third parties and other Group segments increased from €90.4 million in the previous year to €96.8 million in the year under review. After adjustment for intra-Group revenues of the service companies, external sales amounted to €57.6 million compared with €50.2 million in 2013. Earnings before taxes amounted to €4.2 million (previous year: €4.1 million).

Non-financial performance indicators

Sustainable management is a core principle of the ARAG Group strategy. The ARAG Group's insurance products make an important contribution towards ensuring that its customers can lead an independent, active life. ARAG covers the risks they may face. This also forms the core of the ARAG brand strategy "ARAG. Dive into Life." This message has been conveyed to the general public since the end of 2014 through authentic film clips, and since March 2015 through ARAG's own cinema commercial. These focus on people who have made the most of their opportunities and completed projects that were important to them.

The "Dive into Life" approach and ARAG's positioning as a quality insurance provider are associated with a promise to deliver. Keeping this promise means that a high level of innovation, a high-performance workforce and responsible corporate management focused on long-term value creation are intrinsically important.

Innovation As a pioneer in legal insurance, ARAG has been heavily involved in shaping the German legal insurance market and international legal insurance markets for 50 years through branches, subsidiaries and shareholdings in Europe and the US. Customer requirements are constantly changing. For this reason, it is imperative that we continuously review the benefits and services of our legal insurance products and continue to develop them using innovative approaches. Recent examples of such approaches were the inclusion of attorney consultations over the phone and mediation in ARAG's legal insurance policies.

With ARAG web@ktiv, a special target-group product for Internet users was brought to market in Germany for the first time in 2012. This product coherently combines the benefits of existing legal insurance policies with benefits not previously available in this form in an insurance contract. This means that Internet users who want comprehensive cover for the risks encountered on the World Wide Web, now not only have legal insurance covering contractual disputes relating to online purchases, but also, for example, have access to a deletion service if reputation-damaging or offensive entries are published about them online. Copyright insurance is also available for written warnings in protest of the illegal downloading of music or videos. Copyright cases were generally excluded from legal insurance policies before web@ktiv was introduced. Since then, however, numerous competitors have followed ARAG SE's example and now offer similar insurance solutions. In response to this we began offering ARAG web@ktiv Plus, an extended version of our Internet policy, as of January 2015. It now offers compensation in the event of cyber crime. This insurance cover in cooperation with ARAG Allgemeine, takes effect, for instance, if a product is bought online and paid for in advance, but is not delivered. ARAG web@aktiv is also successfully offered outside Germany through ARAG Austria and ARAG Belgium. This product is based on the German product and adjusted to the respective market features.

ARAG SE introduced other innovative legal insurance products during the year under review: ARAG Aktiv Immobilie legal insurance was launched at the beginning of 2014. The Premium version includes innovative building owner insurance, a benefit not found anywhere else in the German insurance market. It offers cost coverage up to €10,000 per contract period. The product will be supplemented by the building owner hotline and the new optional loss of rent coverage as well as assistance for landlords in the case of "nomad tenants". This product solution also impressed the Finanzen-Verlag jury and was awarded a Golden Bull: 2nd place in the "Insurance Innovation of the Year" category. Two years previously, ARAG SE achieved 3rd place in this competition with its ARAG web@aktiv Internet policy.

ARAG Aktiv legal insurance was continuously developed in accordance with requirements during the year under review and a further traditional exclusion from legal insurance coverage was removed accordingly in January 2015. Issues relating to succession were also included in ARAG Aktiv Premium legal insurance, which also provides for cost coverage up to €10,000 per contract period.

Outside the legal insurance segment, ARAG Krankenversicherungs-AG set an innovative example in its private health insurance market in the year under review. The new "ARAG Junior-Tarif" allows parents to supplement the statutory insurance cover for their children with basic private benefits that precisely fit their individual needs. The special feature of this product is that all the children in one household are covered by a single premium and no health check is required. If another child is born into the family, he or she can be registered subsequently and included in the cover without the payment of an additional premium.

In addition to the pure product lines, ARAG also offers services as a forward-looking, customer-oriented insurer. The online claims tracking service, for instance, was developed and implemented at the end of the year under review following a development period of just two months. Since February 2015, customers of both ARAG SE and ARAG Allgemeine have been able to track the processing status of their claims quickly and easily online. This facility is new to the German insurance industry.

Products As well as introducing completely new product concepts, the ARAG Group naturally also continuously develops its existing range of products to include new products and services so that its customers can obtain coverage that precisely fits their individual needs.

ARAG Aktiv Verkehr legal insurance was revised completely in the year under review. It now offers customers comprehensive road traffic cover, not only when traveling by car or on foot, but also when using modern methods of transport, such as a Segway or an e-bike. Three versions of this product are now available, Basis, Komfort and Premium. The special benefits in the Premium version include immediate cover for car purchase or leasing agreements, registration plate replacement or immediate psychological counseling over the phone, after an accident for example.

ARAG SE was also able to set a large number of new standards outside Germany during the year under review through its branches, subsidiaries and shareholdings. The high standards for products and services were given particular priority here. This was the case at ARAG plc in the UK. The company had already begun the adaptation of over 60 percent of its product portfolio in 2013 due to changes in the legislation governing legal costs in the UK. This continued in a targeted manner during the year under review. Various after-the-event (ATE) products were adapted as part of this process and made more suitable for the market. ARAG plc also introduced two before-the-event (BTE) products for the motorists' and family segments and launched a new commercial product "Commercial BTE" in the market in March 2014.

ARAG Italy also consistently expanded its service during the year under review creating new precise-fit policies. One example is the legal insurance product "Small Medium Enterprises" (SME) designed for small and medium-sized businesses. The Norwegian ARAG subsidiary, HELP Forsikring AS, also extended its product range, which includes the house purchaser and family legal cover for which there is strong demand, to incorporate the SME product. Developed in 2014, the new policy was introduced at the beginning of 2015. ARAG Netherlands adapted many of its contracts in 2014 to account for the change in legislation regarding the right of insured persons to choose their own lawyer, which took effect on 1 January 2015. The company's legal insurance products in the private and business segments were also supplemented by various services. ARAG Belgium also introduced new products to the market, for example, ARAG BasicS, a new package for the private, motorists' and fire segments. The Belgian subsidiary introduced the "Legal expenses excess" option in the existing motorists' product segments and in the private segment. Two new target-group products were also created: legal insurance for health care professions and tailor-made legal insurance offered by payroll service providers to their customers.

The Group's composite insurer, ARAG Allgemeine, has consistently updated its insurance portfolio in recent years. It now offers a broad range of competitive products with variable benefit components designed to create custom-fit insurance cover. Examples include "Recht&Heim Aktiv" (with the components of legal insurance, liability, home effects and buildings insurance) or "Business Aktiv" (supplements corporate legal cover to include public liability insurance and contents insurance with business interruption cover).

The company also offers “ARAG Haushalt-Schutz”, comprehensive cover for private households. Modular elements such as cover for bicycle theft (includes 24-hour bicycle theft cover and compensation for the value of a new bicycle), innovative electronics cover (replacement cost value for electrical and gas appliances up to two years after purchase), glass breakage cover or the special service package for house or apartment cover, can be combined as required. The new “ARAG Existenz-Schutz”-policy that was introduced in the year under review provides comprehensive cover for the financial consequences of a disability resulting from a serious illness or accident.

Moreover, ARAG Allgemeine again emphasized its role as Europe’s largest sports insurer. Around 21 million recreational and competitive athletes currently enjoy sports insurance cover from ARAG through their respective state sports federations and associations. Cultural associations also protect themselves through such group policies. The insurance cover can also be supplemented by the individual associations to include additional insurance benefits.

During the year under review, in addition to its attractive fund-linked policy family, ARAG FoRte 3D, ARAG Lebensversicherungs-AG also focused on cover for biometric risks and launched the new ARAG risk life insurance onto the market. This ensures that surviving dependents are well provided for if need be, at least in financial terms and, in particular, offers young people the option to limit financial risks. This product offers customers individual premiums and benefit adjustments. A particularly innovative feature is early death benefit in the event of advanced, terminal illness. An ideal enhancement to risk life insurance is the ARAG supplementary occupational disability cover, which has also been revised. The new products have also convinced independent analysts. Franke and Bornberg, for example, rated the supplementary occupational disability cover as “excellent” FFF; the ARAG supplementary occupational disability cover in conjunction with ARAG risk life insurance thus achieved the top score for the first time.

In addition to the innovative “ARAG Junior-Tarif”, ARAG Krankenversicherungs-AG also introduced two new care rates to the market in the year under review. These offer service-oriented, optimal additional cover in the event that nursing care is required. In addition to “ARAG FörderPflege” as an affordable and state-subsidized basic product, “ARAG IndividualPflege” can be used to fill any gaps in the care provided depending on individual needs and requirements. The new care rates were introduced to the market in 2014 and immediately received recognition from well-known product rating agencies: Morgen & Morgen gave the new ARAG IndividualPflege product five stars (“outstanding”), ascore gave it six stars (“excellent”) and Levelnine awarded its highest rating: “excellent”.

Employees and employee qualification In fulfilling its performance promise, the ARAG Group relies on a competent, focused and extremely motivated workforce in Germany and its international markets. As of the end of fiscal year 2014, the ARAG Group employed a total of 2,008 persons in Germany (previous year: 1,967). A further 1,705 persons were employed outside Germany (previous year: 1,644). Continuing professional development enjoys extremely high priority at ARAG. ARAG aims to remain one of the best insurers on the market. To make this possible, all employees must be able to keep their knowledge and skills up to date. The Internet-based qualification platform ARAG IQ was created for this purpose. The technical structure and content of this platform were completely revised during the year under review to create even better access to the offerings. These include conventional classroom-based workshops and training courses as well as e-learning units. ARAG employees around the world can take advantage of this qualification portal. The content covers a full range including executive programs, office courses, project management training, coaching sessions and foreign languages.

A further key component for retaining qualified employees in the Group is the internal talent management program, ARAG myCareer. Launched in 2011, this program offers an expanded qualification toolset for human resources selection, development and qualification. It thus supports employees in their development and career planning and at the same time serves to retain professional and generalist knowledge in the Group.

The ARAG sales training program assures continual, high-quality qualification activities for ARAG sales partners. This unit covers the entire spectrum of knowledge relating to the sale and the superior performance of ARAG products with a broad range of specially tailored seminars.

Corporate principles: the ARAG Essentials In the fiscal year under review, the ARAG Essentials – our corporate principles for the ARAG Group – were completely revised. Since their introduction in 2006, the Group has continued to develop and has undergone some dramatic changes. The ARAG Essentials have now been adapted to the Group's current situation and have altered the Group's self-image. Today, ARAG is positioning itself as an internationally successful, innovative quality insurer – independent and family-owned. The ARAG Essentials values remain unchanged. The next stage in 2015 is to review the ARAG Leadership Standards derived from the ARAG Essentials.

The ARAG AWARD has been presented since 2012 in recognition of exemplary implementation of the ARAG Essentials. The award honors independently conducted employee team projects that implement the ARAG Essentials in day-to-day work in an exemplary manner, in three categories: Germany, International and (German) Sales. The 2014 winners were honored at the ARAG Group Management Conference in January 2015.

Corporate responsibility In the ARAG Group, dealing with employees, customers and business partners in a responsible manner is based on long-term, and thus sustainable action. Today, ARAG is positioning itself as an internationally successful, innovative quality insurer – independent and family-owned. Based on this fundamental understanding, the Group takes its responsibilities extremely seriously. Heinrich Faßbender was pursuing a clear objective when he founded ARAG over 80 years ago. All citizens should have equal opportunities before the law. This concept still applies to ARAG and meeting the challenges of a changing society head on is firmly embedded in the business model.

With the key concept "corporate responsibility" ARAG links sustainable management of the business at various levels: Customers and consumers should obtain maximum benefit from the Group's products and services. Moreover, ARAG also takes responsibility for its employees and supports appropriate social projects. Firmly anchored commitment to the principles of corporate governance creates the framework for socially responsible action.

ARAGcare The ARAG Group is considered a challenging employer with high performance expectations of its employees. In return, the Group invests in an extensive range of employee benefits. One key element is the corporate health management program, ARAGcare, which was awarded the Seal of Excellence in the 2014 Corporate Health Award for the fifth year in a row. ARAG thus continues to maintain its place at the forefront of the industry.

ARAGcare caters to the individual health needs of the employees. It includes tried and tested components such as health checks, diverse corporate sporting programs, regular medical prevention programs or health courses. In addition to the continuous development of this offering, a strong focus was placed on the second pillar of ARAGcare during the year under review: the balance between work and family life. ARAG underwent comprehensive external auditing for this purpose with the aim of sustainably developing and setting out a human resources policy demonstrating awareness of family and phases of life. Following an extensive preliminary analysis and formulation of objectives, an "audit berufundfamilie" (Work and Family Audit) certificate was awarded in June 2014. But work on the sub-projects did not stop there. The certificate includes the obligation to implement the objectives defined in the context of the project in the Company by 2017. Numerous issues and actions relating to the gender diversity project, which was concluded as scheduled in 2014, were also continued in the context of career and family during the year under review. The initial actions from the projects are already being implemented. These include the issue of "Part-time Management" and the development of teleworking and home offices.

Social responsibility ARAG is a family enterprise. This means that the connection between corporate and social responsibility enjoys extremely high priority at ARAG. Its independence as a family business makes accepting responsibility even more important: The ARAG Group derives its obligation to act responsibly from its independence and for this reason has funded the "Conflict Management in Schools" project, which is the only one of its kind in Germany, since the year under review. With assistance from the Ministry for Schools and Education in North Rhine-Westphalia, this program will be offered to all high schools across the state. Teachers and parents from 21 high schools and vocational training colleges in various districts in North Rhine-Westphalia took part in the pilot project that ended at the beginning of 2015. Initially, the project will run at up to 30 more schools each year by 2017. The focus is on the introduction of nationwide quality standards for conflict management structures as well as prevention and intervention methods. Teaching staff, parents, educational social workers and educational psychologists are trained as school mediators and these in turn train pupils as peer mediators. The "ARAG Mediators" project has been certified by the Clinton Global Initiative (CGI) as a "Commitment to Action".

Another key subject area is the Internet. It changes and influences lives all over the world, and to a large extent those of children and young people as well. It also harbors an element of danger. Appropriate prevention is essential in order to avoid this danger. ARAG SE has extensive experience in the area of prevention and sees important safeguards in the sustainable promotion of media competence, information and explanation as well as in raising awareness of the consequences of bullying. It supports the Bündnis gegen Cybermobbing e.V. Two studies have been conducted jointly with this organization. Around 10,000 school students, teachers and parents were asked about cyberbullying and violence online in the "Cyberlife" study and the findings were processed accordingly for publication in the public domain. The second study, "Bullying and Cyberbullying among Adults" underlines the strong relevance of this subject for adults as well.

ARAG's social commitment also extends to targeted support for the Deutsche Kinder- und Jugendstiftung (DKJS). For 20 years this organization has been involved in projects and programs across Germany designed to empower children and young people to take their lives into their own hands and play an active role in shaping society – an approach which fits well with ARAG's understanding of corporate responsibility and with its commitment to date. As a program partner, ARAG has helped the DKJS since 2014 to raise the awareness of children and young people with respect to the challenges of cyberlife and the risks of cyberbullying. This cooperation will run initially for three years.

ARAG would like to thank its customers for the trust they have placed in us. We are also grateful to our sales and administrative employees for their exceptional dedication and their highly motivated implementation of the new requirements. Our gratitude extends to the Works Council as well for its loyal and constructive cooperation.

Employees

In the fiscal year under review, the number of employees increased in the Group as a whole compared with the previous year. Including companies outside the scope of consolidation, 3,713 persons were employed as of 31 December 2014 (previous year: 3,611). As of 31 December 2014, a total of 3,687 persons were employed in the consolidated companies (previous year: 3,605). During the reporting period, 45.9 percent of all ARAG Group employees worked outside of Germany (previous year: 45.5 percent).

Employees

(permanent employment contracts)	2014	2013
Consolidated companies	3,687	3,605
Entire Group	3,713	3,611

III. Supplementary Report

No other events of particular importance occurred following the end of the fiscal year under review.

IV. Outlook, Opportunity and Risk Report

Outlook Report

Today, the ARAG Group is active in Germany and 13 other European markets as well as in the US. Due to the highly international character of its business, economic trends in Europe and North America play a particularly important role for the Group.

Thus the outlook for the general economic trends in these regions differs significantly from one region to another. The related uncertainties are self-evident and may impact significantly on overall economic trends – not only worldwide, but also in the Eurozone and not least of all in Germany.

An increase in interest rates in the US and the UK in 2015 has already been held in prospect. However, if expectations relating to financial markets and the interest rate policies of the central banks fail to materialize, a negative impact on the real economy is likely. The future development of the conflict between Russia and the Ukraine represents a further risk for the economy as a whole. The crisis had clearly raised the level of financial uncertainty in Europe by mid-2014. This may have inhibited investment activity and clouded the export prospects of companies in some economies. However, an escalation of this crisis, associated with a significant tightening of sanctions, would have clearly negative, difficult-to-assess effects on the economic situation in Europe.

A slight acceleration in global growth is expected for 2015, where differing trends are anticipated. There are indications of a moderate improvement of economic performance in the industrial countries. Forecasts suggest that labor market recovery will continue and lower debt levels in the private sector will lead to a significant increase in private consumption.

The US Federal Reserve is expected to raise its base interest rate in 2015 and thus increase returns on alternative investment opportunities. The assumption that the interest rate increase will be anticipated in good time by the market players reduces the risk of financial market turmoil. Overall, it is reasonable to expect that economic growth in the US will send positive stimuli to other regions. No recovery is on the horizon in the Eurozone. However, the economic outlook has stabilized for countries in southern Europe and it is anticipated that this will continue over the coming year. On the other hand, the three largest EU economies are facing relatively dim economic prospects. Furthermore, poor business forecasts and the sluggish investment climate make an imminent economic recovery in southern Europe seem unrealistic.

Overall, a GDP growth rate of 1.0 percent and an inflation rate of 0.7 percent are expected for the Eurozone in 2015, and a slide into deflation can be regarded as unlikely. The German economy is still likely to be influenced by geopolitical risks and by the rather unfavorable trends in the Eurozone, but Germany will again show robust economic growth. A lack of dynamism in the export business and accordingly rather weak stimuli for German economic development are anticipated in the process. The employment situation remains extremely good. It is safe to assume that this will generate brisk private consumption, which in turn supports further economic growth. Increases in real wages will also have a positive impact. Consequently, German gross domestic product is expected to grow at a rate of 1.0 percent.

The insurance industry is able to benefit from stable trends in the German market with a slight increase in premiums. Growth of approx. 0.5 percent is forecast for 2015. One problem is the persistently low interest rates, which clearly diminishes the appeal of capital-forming retirement provision products. Accordingly, premiums are likely to decline in the life insurance segment. No noteworthy increase in premium income is forecast for health insurance. However, the partial-cost coverage business should grow far more dynamically. In the absence of further unforeseen clouding of the overall economic environment, a 2.5 percent increase in premium income is expected in the property and accident insurance segment in the coming year. In the legal insurance segment, the GDV predicts a further 2.5 percent increase in premium income in 2015.

The Group expects continued healthy business development during the forecasting period. The Group will grow, generate stable earnings, and maintain its current solid financial base. ARAG will benefit increasingly from its modern business structure in branches and subsidiaries as well as from its diversification strategy. In terms of its strategic alignment, ARAG aims for growth that is at least in step with the market in Germany and further expansion of its international business.

The Group has reinforced this strategy further and acknowledged it in a review of the Group's corporate principles, the ARAG Essentials. The management team will thus ensure reliable and transparent organization and orientation of the ARAG Group. In doing so, the ARAG Group takes note of its growing social responsibility obligations. Responsible action makes a significant contribution to corporate success: Entrepreneurial spirit and social commitment go hand in hand. Customers, business partners, and employees pay attention to the additional social value that ARAG is prepared to provide. Correctly interpreted responsibility to society is based on long-term, targeted and sustainable action. As an independent family enterprise, ARAG can credibly make such claims.

The Group will adhere to its conservative, earnings-oriented business policy during the forecast period.

The Group's expectations for the forecast period vary according to segment.

Further growth in gross premium revenues is expected in the legal insurance segment in spite of the persistently difficult market conditions in many European countries.

The turnaround in the legal insurance segment in the German market will be further stabilized. Constant positive portfolio growth in this area is evidence that ARAG SE has rediscovered the path to growth. The combination of innovative product development, high quality claims processing and service as well as a long-term sales strategy lays the foundations for continued successful performance. Accordingly, ARAG anticipates a moderate increase in premiums in the German legal insurance segment for 2015.

The Group's international branches and subsidiaries will again provide more stimuli for growth during the forecast period. Market environments continue to be very demanding and are taken into account. The Group recorded a radical upturn in business in southern Europe, which will be reflected in premium growth. The takeover of a Spanish insurance portfolio will allow ARAG to expand its business there. In the other European markets and the US, measures put in place to increase sales will come to fruition.

The positive trends in premium income will not lead to an increase in the claims ratio. The additional cost burden resulting from the increase in attorneys' fees and court costs in Germany will also be limited during the forecast period.

The cost ratio rose in ARAG SE following completion of the restructuring measures required for the change in organizational structure in 2012. The goal will be to reduce the ratios again through premium growth and stricter cost discipline.

The composite insurance segment combines ARAG property, liability and accident insurance outside the legal insurance segment. To a lesser extent, the legal insurance-related special service package business in the Spanish market is also managed there. In the German market, the Group again recorded good premium increases in this segment after achieving a turnaround similar to the one in the legal insurance segment. This positive trend will continue in the composite insurance segment. The measures already implemented to ensure portfolio stability and develop new business will prove increasingly effective during the forecast period. The composite insurance segment will continue to focus clearly on private customers and maintain its reputation for extremely efficient claims management. Consequently, the ARAG composite insurance segment will be one of the Group's most profitable. Assuming that no relevant major claims events occur, the segment may achieve a combined ratio of well below 100 percent in the forecast period. The Group expects continued healthy earnings in this segment.

Political conditions in Germany have a significant impact on growth in the health insurance segment. The grand coalition decided to retain the dual system, thus creating the basis for the continuation of comprehensive private health insurance. The planning security for both providers and consumers associated with this decision had a positive impact on the business climate in the insurance industry. The health insurance segment of the ARAG Group benefits from this and has recently grown ahead of the market average.

The political environment will also ensure stable conditions in 2015 and 2016. Its clear focus on high-value partial cost coverage means that ARAG is extremely well positioned in the health insurance market. The Group will therefore continue to consolidate and develop this business segment in a consistent manner. As far as supplementary insurance packages are concerned, supplementary care insurance will gain importance in the product portfolio. Occupational health insurance will also become another important business segment for ARAG.

Overall, the Group expects dynamic growth in the partial cost segments and a stable cancellation situation during the next few years.

In the context of further premium growth, ARAG Krankenversicherung is paying particular attention to further improving the efficiency of application processes and payment settlement. In the health insurance segment as well, the Group is focusing on developing the IT infrastructure in order to further optimize work-intensive processes in the supplementary insurance segment.

In spite of the forecast expansion of business, ARAG expects a constant claims ratio in this segment.

As is true of operational business development, the earnings situation of health insurers is also strongly influenced by financial market trends. The persistently low interest rates affected not only life insurers, but also health insurers, which were forced to react by adjusting the actuarial interest rate on several occasions. The ARAG Group continues to act conservatively in the capital market and has also made moderate adjustments to the actuarial interest rate for health insurance.

A growing market share is expected for the health insurance segment in fiscal year 2016 and 2017. A stable profit situation is assumed for the current fiscal year 2015.

The German life insurance segment is suffering increasingly as a result of the persistently low interest rates. A turnaround seems unlikely for the forecast period, even though there are increasing signs of an interest rate turnaround in the US. For this reason, traditional life insurance continues to lose attractiveness in the market. The German legislators responded to this trend and introduced key measures to stabilize the market with the Life Insurance Reform Act (LVRG).

These developments aside, ARAG converted its product portfolio to attractive mutual fund-linked products ten years ago. This product family now accounts for over 85 percent of new business. At the same time, ARAG refrains from involvement in the highly volatile single premium business, thus remaining true to its conservative business policy.

Pursuant to the amendments made to the German Actuarial Reserve Ordinance of 2011, an additional actuarial reserve was formed as a “supplementary interest reserve”. This reserve recently grew to €90.7 million at ARAG Leben. Further high-figure allocations to the supplementary interest reserve are assumed in the next few years. Continual allocations of funds to the supplementary interest reserve place greater additional pressure on the ARAG life insurance segment. The management of ARAG Leben has therefore taken measures designed to exert a positive influence on the financial development of the segment during the forecast period.

However, these measures cannot permanently offset persistently low interest rates. In the scenario specified by the regulatory authority and evaluated by ARAG Lebensversicherungs-AG, the continued existence of the company in the specified planning period over the next few years is not in jeopardy.

At the beginning of 2015, ARAG Lebensversicherung implemented the statutory requirements imposed by the LVRG and has already considerably reduced the maximum Zillmerization rate. Newly calculated rates with lower commissions were introduced accordingly. As a result of the consistent implementation of the LVRG, the company expects a significantly lower production level and decreasing premium revenues.

The ARAG Group succeeded in boosting its profit before taxes and external components significantly in fiscal year 2014 to €84.2 million. Increased income from capital investments and a clear improvement in the underwriting result contributed to this result. Thus the ARAG Group once again delivered an extremely good operational performance. It traditionally gives high priority to steady, good underwriting results in order to absorb some of the fluctuations in capital market growth. The Group will continue to pursue this business policy consistently in the forecast period and thus anticipates good results over the next few years, although the result for 2015 will be slightly lower than that for the year under review.

As in previous years, a reliable forecast regarding trends in the capital markets is not currently possible. The impact of cost-cutting measures on interest rates, acquisitions of government bonds by the European Central Bank, and monetary and interest rate policy in the US, not to mention the various interactions of these factors, cannot be reliably estimated for the forecast period. The ARAG Group therefore anticipates that conditions in the financial markets will remain challenging and that interest rates will remain persistently low. Under these circumstances, the Group anticipates a slight decline in income from capital investments in 2015.

Under consideration of currently identifiable opportunities and risks, continued sound and stable business development is expected in 2015. The Group will continue to grow overall and demonstrate its strong earnings power once again.

Opportunity report

Over 32 percent of the Group's premium revenues are generated from international business. ARAG is thus one of Germany's most highly internationalized insurers. The opportunities and risks for the Group are derived from this orientation.

The good international diversification of the ARAG Group makes it less dependent on trends in individual national markets. This is particularly true for the extremely mature German legal insurance market, which offers very few true growth prospects. However, its prime significance for ARAG as its original home market remains unchanged. The ARAG Group strategy for the legal insurance segment as a whole is based on the international diversification of this Group segment.

The international structure of the ARAG Group is the logical business consequence of the high saturation level of the German market in general and the widely differing financial developments in Europe and the rest of the world. The legal insurance markets outside Germany still have disproportionately high potential for growth. ARAG is going to great lengths to leverage this in order to further the Group's development. ARAG places high priority on taking the respective national market features into account.

The division of tasks within the entire ARAG Group is such that the position of the ARAG brand on the German market is further strengthened and developed through the reinforcement of the other insurance segments outside the legal insurance segment. This two-dimensional diversification strategy also makes ARAG more independent of its original, narrowly focused position as a purely German niche provider. A straight national, specialist insurer is much more crisis-prone on account of its monoculture. ARAG's strategic approach is thus one of active risk reduction and is based on distributing risks more evenly across markets and segments.

In order to help corporate management control the international structure of the ARAG Group, a Group Executive Committee (GEC) has been formed. On the GEC, Group Board members work alongside representatives of the main European branches and representatives from the other German insurance segments. The Committee will improve the exchange of information between the European branches and the German insurance companies in the ARAG Group. One of the primary aims of the GEC is to transform innovations and market changes more quickly into practical business processes, both internationally and in Germany, wherever clear opportunities are identified.

All in all, the new European management structure will enable the ARAG Group to take advantage of the many and varied opportunities both in Germany and abroad on a sustained basis. At the same time, initial experience with the new structure demonstrates that the respective market risks are now more readily transparent through all levels of management from the top down and that the Group is able to respond more quickly as a result.

The ARAG Group is responding to the challenges posed by the markets consistently and with full commitment. This in turn creates leeway for successful business development to take place in a challenging and diverse market environment. Corporate strategy is clearly focused on continued pursuit of the international diversification of the ARAG Group and further significant growth in the relative contribution of international business.

Risk report

Risk management system

Objectives of Risk Management Risk management is a core competence of ARAG and thus an important component of business controlling. As part of this controlling, risk management aims to secure the existence and future success of the Group. By means of effective, integrated risk management, the Group fulfills the demands of its customers at a maximum level of security and creates sustained enterprise value for its shareholders. In accordance with this objective, risk and capital aspects are a fixed part of the strategic planning process and also the basis of value- and risk-oriented controlling in accordance with the EVA® concept in the ARAG Group.

The risk management guidelines of the ARAG Group are:

- Risks are managed where they arise.
- All identified risks are monitored and regularly reassessed.
- Newly identified risks are included in the monitoring process, assessed and communicated.
- Limits and thresholds exist for all material risks, and appropriate management actions are triggered when these are exceeded.
- All risks and associated decisions and actions are sufficiently documented.
- Internal and external concerned parties receive regular reports on the risk situation.

Organizational Structure of Risk Management The risk governance of ARAG is designed to provide for holistic control of local and global risks, while simultaneously ensuring that the overall risk profile remains appropriate to the risk strategy.

The Board of Management of ARAG SE establishes the business-policy objectives, the risk strategy as well as the capital requirements and limits of the Group. The Supervisory Board deliberates on these matters and receives regular reports regarding compliance with the risk strategy and limits.

Within the Group, the Chief Risk Officer of ARAG SE is responsible for the central communication of risk-relevant issues by reporting to the Board of Management and Supervisory Board of ARAG SE on a regular basis, at least quarterly or on an ad-hoc basis where required. This officer is also responsible for inter-divisional planning, controlling and monitoring of the entire risk architecture.

"Group Risk Management and Group Controlling" is responsible for identifying, analyzing and assessing, controlling, monitoring and reporting on risks at the Group level, in cooperation with the unit that bears the respective operational risk. "Group Risk Management and Group Controlling" is a separate entity up to the level of the Group Board, and thus performs the duties of an independent risk controlling function.

Decisions regarding the exploitation of opportunities and the assumption of risks rest with the operational units. The tasks and responsibilities of all persons active in risk-relevant roles, such as the members of the Board of Management, executives, decentralized and central risk controllers and managers, are clearly defined and documented in the Risk Management Manual of the ARAG Group.

Further development of the risk management system is pursued systematically in accordance with the principle of holistic asset- and liability-side risk assessment. Group Risk Management is responsible for identifying, assessing, controlling and monitoring these risks for all domestic and international branches and subsidiaries and for laying the groundwork for related board-level decisions in collaboration with the operational units.

Group Risk Management bears the process responsibility for the risk management system and ensures comprehensive transparency with respect to the risk situation and related changes through a quarterly risk report to the Board of Management. Additionally, Group Risk Management is responsible for the further development of the risk management system and for preparing proposals for uniform Group-wide standards. Group Risk Management is also responsible for developing models used in determining the risk-bearing capacity, risk capital and risk capital allocation.

Risk control for capital investments is an independent function which includes analyzing and monitoring market-price risks. Emphasis is placed not only on asset- and liability-side economic and balance-sheet risks associated with interest-bearing items, but on detailed analysis of risk drivers for the various categories of capital investments as well.

The rules for specifying and controlling these risk fields are defined and monitored by the Board of Management with the support of Group Risk Management. The central and local instruments and processes deployed in the risk management system follow a uniform approach that takes into account overall economic conditions as well as the requirements and expectations of customers, regulators, rating agencies and the shareholders.

Furthermore, operational risk control and Group Risk Management are strictly separate functions. Group Risk Management also works closely with Internal Auditing. The implemented systems meet the requirements of the German Act on Control and Transparency in Enterprises (KonTraG).

Risk Management System The purpose of the risk management system as an integral part of all risk-relevant processes is to avoid actions or decisions that lie outside the constraints formulated in the Risk Management Manual and the risk strategy. The risk management system is audited regularly by Group Auditing. In conjunction with the integrated risk management system, the Group is able to identify new risks or developments entailing risks in a timely manner, assess them systematically according to uniform criteria and manage them actively. The review of the risk early warning system is also a part of the auditing process within the context of the year-end audits of individual Group subsidiaries.

The core elements of the ARAG risk management system comprise the processes of risk identification, risk assessment, risk capital allocation, risk controlling as well as risk monitoring and risk reporting.

Risk Identification The aim of risk identification is to recognize the emergence of new risks or changes in existing risks in a timely manner and assess these according to a uniform procedure. For example, risks associated with the opening of new markets and the introduction of new products are identified, analyzed, assessed and submitted to the Board of Management for decision in a corresponding interdepartmental new-product process. Analogous processes are implemented for new capital investment products, reinsurance instruments, etc. These are also integrated within existing limit and monitoring processes.

Risk Assessment All identified risks are continuously quantified, analyzed and assessed using suitable methods and on the basis of systematically collected and continually updated data. This process also examines whether the risk profile corresponds to specified limits.

The key element here is the risk capital required to cover unexpected losses in the value at risk. This is calculated in the internal risk capital model. This model calculates the maximum loss in value of risk positions covered in the model within a specific retention period (one year in this model) and with a specific probability. A loss in value may result from unfavorable developments on the capital investment side or an unexpected development in insurance business. The methods are audited on a regular basis. The risk positions also undergo a stress test, back testing and a validation test conducted on an ongoing basis.

Group-wide risk standards ensure a consistent and appropriate approach in risk modeling, performance measurement and the application of relevant risk parameters in the calculations.

Risk Capital Allocation The risk-bearing capacity of the Group is determined based on the aggregated risk capital allocation and the available cover assets. This takes into account minimum regulatory and internal cover requirements. Free risk capital is allocated through the use of a limit system, by means of which the overall limit defined in the risk strategy is allocated to the types of risks identified.

Risk Management The risk management functions at the Group and segment levels define suitable strategies and concepts for overseeing both the informed assumption of risks and the implementation of control measures, which may include minimization, hedging, transfer and diversification of all identified and analyzed risks. Risk limitation ensures that the risks actually assumed are compatible with the risk strategy, respectively the risk-bearing capacity, at all times.

Risk Monitoring and Risk Reporting Actual limit utilization is determined and monitored continuously through comparison of the assumed risks and specified limits. Portfolios are analyzed on a regular basis to identify broader risk trends at an early stage. The results of risk monitoring and the recommended actions derived from these are reported to ARAG SE management on a continuing, timely and unrestricted basis. This enables decision-makers to control risks proactively. The external communication of risks takes into account the interests of the shareholders and regulatory authorities.

Internal Control System The internal control system (ISKS) ensures that the in-house and external requirements of ARAG SE are observed. The controls apply to operational processes, business and central departments and the governance system. The internal controls are continually reviewed for their effectiveness. The aim is to ensure the continuing adaptation of controls to the changing parameters, internal processes and risk profile of the Group.

Focus issue
Solvency II

The ARAG Group is seeking certification of a partial internal model under Solvency II. The risk-appropriate management of underwriting risks and assumed market price risks is a key success factor for ARAG. Only through the use of a partial internal model can the specific characteristics of the ARAG Group's business model be reflected in keeping with appropriate risk assessments and the capital requirement calculated accordingly.

After the successful completion of the project phase in preparation for Solvency II, all remaining tasks were delegated to the line organization. This went hand in hand with the shift of the final development process for the partial internal model into the trial phase preparatory to actual implementation. The trial provides evidence of the extensive use made of the partial internal model within the Group and the importance of its role in management.

The certification process for the partial internal model will also be continued. As part of this pre-application process, the ARAG Group consults regularly with the German Federal Financial Supervisory Authority (BaFin).

Risks

Underwriting risks in property, liability and accident insurance

The underwriting risk in the ARAG Group is divided into the following material subrisks:

- Premium risk: understood to mean the loss that occurs when the premium revenues projected for the coming fiscal year are not sufficient to cover all claims of this year.
- Reserve risk: understood to mean the loss that occurs when the provisions formed for losses occurring in the past are not sufficient.
- Cumulative risk: understood to mean the loss due to occurrences which, if realized, affect a large number of insured parties simultaneously.

To assess the premium and reserve risks, historical claims are compiled into homogenous risk groups according to fixed criteria. On this basis, the risk capital requirement is determined for each identified risk. Due to the product and customer structure, our insurance portfolio encompasses no extraordinary risks regarding possible major claims that would endanger the Group's continued existence. The claims situation is actually influenced to a greater extent by the effects of changing legal, economic and social parameters.

ARAG SE applies various measures to control and monitor underwriting risks. Insurance rates and terms are adapted wherever necessary and the claims reserves provide for sufficient safety margins. Additionally, relevant legal and social developments are constantly monitored and their effects on the insurance portfolio are analyzed.

The duties of the actuarial function enumerated in Article 48 of the Solvency II Directive are performed primarily by Group Risk Management. The functional separation of sales-related areas up to the level of the Board of Management ensures the independence of the actuarial function in performing its duties pursuant to Article 48 of the Solvency II Directive.

The following table illustrates the stability of our insurance business and the consistently adequate allocation of claims reserves by summarizing the claim development trend in all self-contracted business over the last ten fiscal years.

Development of claims

Fiscal year		Gross claims ratio, total	Settlement result
	Ratio for FY	*Balance*	*as % of initial reserve*
2014	60.2	55.4	3.6
2013	61.3	53.3	5.9
2012	62.6	50.9	7.0
2011	60.3	54.5	4.1
2010	66.7	61.3	4.2
2009	66.4	58.0	6.5
2008	65.2	55.4	7.7
2007	66.8	62.6	3.5
2006	65.2	59.2	5.0
2005	65.6	59.9	4.8

Underwriting risks in life insurance and health insurance segments

The main underwriting risks in the life and health insurance segments at ARAG are:

- Interest guarantee risk: understood to mean the loss incurred when the actuarial interest rate used to calculate the actuarial reserves cannot be earned through capital investments.
- Biometric risks: understood to mean the loss incurred when the mathematical bases used to calculate premiums (for example, mortality rate, longevity, disability and morbidity) deviate from subsequently observed parameters.
- Cost risk: understood to mean the loss incurred when actual costs deviate from the calculated costs.
- Cancellation risk: understood to mean the loss incurred when an insurance policy is terminated before the policy termination date.

Interest guarantee risk "Actuarial reserves" are created to cover the benefits guaranteed to customers under their life insurance. In particular, customers are guaranteed an annual capital return resulting from the investment of such an actuarial reserve. The guaranteed capital return is calculated using the "actuarial interest rate", which represents the imputed interest on the liabilities side and is an element of the insurance benefits. This benefit guaranteed to customers is always compared with the returns actually attainable in the capital markets. In principle, there is a risk that the return on capital investments is lower than the amount guaranteed. In order to achieve the guaranteed minimum return, the ARAG Group pursues a differentiated allocation of its capital investments with respect to term and debtor structure. The current portfolio of fixed-interest capital investments is earning a return above the current guaranteed interest rate. New investments are only made in securities with a given minimum rating and terms to maturity that match the interest rate developments expected by the Group. Furthermore, the ARAG Group is legally obliged to create provisions and set funds aside in order to ensure the fulfillment of guarantees. In an environment of persistently low interest rates, these funds are transferred to the actuarial reserve in the form of the supplementary interest reserve.

Aging provisions are formed in the health insurance segment in order to provide the future insurance benefits calculated. A discounting interest rate is used to determine the provisions required. This has a maximum ceiling of 3.50 percent in accordance with legal requirements and represents the imputed interest on the aging provisions. Within the confines of this requirement, actuarial interest is based on interest income which can be generated on the assets side through capital investments. The Group lowered the actuarial interest rate in 2014 and consequently the liabilities side reflected a rate of return in line with the market. Internal controls check the appropriateness of imputed interest on an ongoing basis. In addition to internal controls, the ARAG Group is also obliged to calculate the Actuarial Corporate Interest Rate (AUZ) which reflects the future minimum rate of return for capital investments. The method used was developed by the German Actuarial Society. The results are also notified annually to the German Federal Financial Supervisory Authority. In the event of negative differences between the AUZ and the actuarial interest rate, the actuarial interest rate must be adjusted downwards the next time premiums are adjusted.

Biometric risks The Company uses both its own tables and those recommended by the Deutsche Aktuarvereinigung e.V. (DAV) as a basis for biometric calculations (mortality, likelihood of disability etc.). These are submitted to the German Federal Financial Supervisory Authority (BaFin) as legally required under Art. 13d of the German Insurance Supervisory Act (VAG). In addition, the anticipated values arrived at using the decrement tables are regularly compared with actual claims in order to validate the appropriateness of the biometric calculation basis. In the case of pension plans, an assessment of the longevity risk is of major importance. It should be noted at this point that the ARAG Group portfolios are not big enough to quantify mortality trends. For this reason, the calculation of rates and evaluation of the balance are based on the DAV 2004 R tables, which are recognized throughout the industry. Additionally, for health insurance, the calculation bases estimated with certainty in accordance with the applicable calculation regulations (KalV) are checked by an independent trustee. Should the appropriateness of the calculation bases used to calculate premiums and form reserves not be guaranteed, premiums will be adjusted in agreement with the trustee.

Cost risk The cost risk is taken into account through the cautious selection of cost rates when calculating premiums. Additionally, the actual costs incurred are compared with the calculated costs on an annual basis. This enables unfavorable developments to be identified at an early stage. Over and above the comparison of anticipated values with actual claims, the ARAG Group quantifies the effects of any negative differences from the anticipated value (for example, the occurrence of a pandemic) and ascertains that the Group is in a position to pay the guaranteed benefits even in such an eventuality.

Cancellation risk In accordance with Art. 25 RechVersV, the actuarial reserve in life insurance must be sufficient to ensure that at least the surrender value can be covered. In the case of capitalized receivables from policyholders, the cancellation risk is covered by making appropriate value adjustments to these receivables. In view of the persistently low interest rates, the life insurance industry must consider the fact that if the capital markets recover, customers may cancel their life insurance policies in order to invest in the capital markets.

In the health insurance segment, the calculated assumptions regarding customer cancellation behavior are taken into account when calculating the cashflow profile. These assumptions are based on individual experiential values and on association experience and have been checked by an independent trustee. Permanent monitoring of the cancellation rates ensures the prompt identification of behavioral trends. Account is taken of the cancellation risk through correspondingly cautious accounting approaches based on experience gained in previous years. The likelihood of cancellation can also be adjusted in the context of adjusting premiums triggered as a result of differences between calculated and actual values for biometric risks.

The controlling and monitoring of all underwriting risks in personal insurance is the task of the responsible actuary. An independent trustee is also involved in the new product and premium adjustment process. All control and monitoring measures are subject to constant checking by Internal Auditing. The responsible actuary monitors the formation of reserves for payment obligations arising from personal insurance in accordance with actuarial principles, which ensure the discharge of future obligations. The actuarial tasks cited in Article 48 of the Solvency II Directive are performed by Group risk management. The functional separation of sales-related areas up to the level of the Board of Management ensures the independence of the actuarial function in performing the tasks pursuant to Article 48 of the Solvency II Directive.

Risks from default on debts in the insurance business Losses due to default on debts in the insurance business are minimized by an efficient and persistent dunning system. The residual default risk is anticipated by setting aside general provisions for bad debt against receivables from policyholders in the financial statements.

Risks from capital investments With respect to capital investments, ARAG concentrates on ensuring a level of return that is appropriate the market and a balance between the opportunity to achieve capital gains and the risk of write-downs.

ARAG's capital investments are subject to the risk of potential loss due to unfavorable market price developments. In addition to market price risks, credit and liquidity risks are also significant.

Market price risks Market price risks mainly involve changes in interest rates, stock prices and exchange rates. Risks from real estate investments are also relevant.

The **risk of changes in interest rates** relates to the portfolio of fixed-interest securities and underwriting obligations. These are mainly the result of changes in interest rate level and extra charges to cover the risk of default and insolvency. Such changes are countered by asset-liability controlling. An assumed rise or fall of one percent in the general interest rate level would reduce or increase, respectively, the present value of fixed-interest securities (bearer bonds, registered debentures and promissory notes) by € 389.0 million.

Share price risks result from unfavorable changes in value of shares held in the portfolio. 6.0 percent of capital investments are subject to a share price risk. This risk is distributed through systematic diversification in various industries and regions. A hypothetical 20-percent drop in the stock market would result in a loss in present value of € 87.2 million.

Currency risks are caused by fluctuations in exchange rates, particularly for different currencies of underwriting liabilities and capital investments. In the case of fixed-interest securities, open currency positions are hedged to reduce the risk. The currency risk from fixed-interest securities is limited to a maximum of 5 percent of the investment volume. The 5 percent limit also applies at the special fund level and only for those special funds that are authorized to assume foreign currency risks.

The focus in controlling and monitoring **market price risks** is on compliance with the regulatory investment regulations according to Art. 54 ff. of the VAG and the investment regulations issued pursuant to this act. This achieves a high level of risk limitation with respect to the mixture and diversification of capital investments. A broad diversification of the portfolio limits the individual risks by broadly spreading capital investments on the basis of investment types, debtors and regions. The Group has also implemented investment rules which limit capital investment risks further. Derivative financial instruments are used solely to hedge the risks of price or interest rate changes in funds. A further element is a risk capital-based controlling concept that enables an early warning system in conjunction with continuous market monitoring and timely reporting. Furthermore, the risk situation and financial stability are reviewed on a regular quarterly basis through internal tests based on the same criteria as the stress tests conducted by the financial regulators. The stress tests examine whether the Group would be able to meet its obligations to its insurance customers in spite of extreme crisis situations on the capital markets without recourse to extraordinary measures. In the stress tests, which comprise four scenarios, the following simultaneously occurring losses in value are assumed:

Stress-test scenarios

	R 10	A 22	RA 20	AI 25
Bonds	– 10 %	–	– 5 %	–
Stocks	–	– 22 %	– 15 %	– 15 %
Real estate	–	–	–	– 10 %

As a result of these analyses, it can be stated that as of the accounting date, the ARAG Group has passed all the stress tests mandated by the regulatory authority without reservation.

Credit risk The credit risk is greatly reduced through strict requirements regarding the financial strength of debtors. The restriction of fixed-interest securities almost exclusively to investment-grade instruments is the logical consequence of this principle.

The credit risk is as follows: Of the fixed-interest securities – including those held indirectly through investment funds – approximately 37.3 percent are attributable to financial service providers, 29.6 percent to public sector bonds and 33.1 percent to corporate bonds. Roughly 68 percent of the individual risks have a minimum rating of “A” according to Standard & Poor’s or a comparable rating. ARAG regards the default risk as a form of the credit risk as slight in view of the credit ratings of the securities portfolio, the cover assets of the pfandbriefe and the government stabilization measures for the banking sector in response to the financial market crisis.

Rating class

(share as percentage)	
AAA	17.6
AA	25.3
A	24.7
BBB	28.2
BB	2.8
B	0.9
CCC	0.0
CC	0.0
C	0.0
D	0.0
NR	0.5

The Group holds government bonds issued by the GIIPS countries (Greece, Ireland, Italy, Portugal and Spain), including portfolios in special funds in the amount of €215.9 million (3.5 percent based on the cost value of all capital investments). Of these, €8.4 million is attributable to Portugal, €133.9 million to Italy, €24.0 million to Ireland, €0.0 million to Greece and €93.2 million to Spain (at market values). The portfolio contains no participation certificates or high-risk ABS items.

Liquidity risk The liquidity risk is limited by revolving financial planning which identifies all relevant payment flows in good time and allows them to be matched. In addition, the high marketability of our capital investments ensures that these can be liquidated on short notice.

Operational risks Operational risks include all risks relating to staff, processes, organization, administration, IT, natural disasters, technology and external circumstances. Legal risks are also considered operational risks. The portfolio of operational risks is updated on a quarterly basis.

Operational risks are managed on the basis of subjective estimates in connection with a quantifiable early warning system. Individual risks are identified and assessed in the operational segments. A central software tool is used to register and administer these as well as for corresponding reporting purposes. Reports also contain detailed procedures for fending off, avoiding or reducing identified risks. Compliance with control measures is verified regularly and is part of the risk report.

We guard against the risk of misguided administrative actions through rules and audits in the respective departments. Internal control measures and ongoing internal auditing minimize the risk of serious working errors and acts of embezzlement.

These measures serve to limit the operational risk to a level which is acceptable for the Group.

Risks endangering the existence of the Group There are no internal or external risks that could inflict long-term damage on the financial, asset or earnings situation of the Group. At present, the overall risk situation does not indicate any trends for the planning horizon that could endanger the existence of the Group or severely impair its financial, asset and earnings situation.

Risk situation The Group has sufficient own funds to meet the regulators' solvency requirements as per Art. 104g VAG. The Group solvency calculation as of 31 December 2014 shows sufficient equity fund coverage amounting to approximately 164 percent of the requirement, despite the difficult framework conditions.

Consolidated Financial Statements

Consolidated Balance Sheet as of 31 December 2014

Aktiva

(in euros)
A. Intangible assets
1 Goodwill
2. Other intangible assets
B. Capital investments
I. Real estate, comparable rights and buildings including those on third-party property
II. Capital investments in affiliated companies and shareholdings
1. Shares in affiliated companies
2. Lending to affiliated companies
3. Shareholdings in associated companies
4. Other shareholdings
5. Lending to companies with which a shareholding relationship exists
III. Other capital investments
1. Stocks, investment fund units or shares and other non-fixed interest securities
2. Bearer bonds and other fixed-interest securities
3. Mortgages receivable, other similar rights and fixed-interest debts
4. Other lending
a) Registered debentures
b) Promissory notes and loans
c) Loans and advance payments on insurance policies
d) Remaining lending
5. Bank deposits
6. Other capital investments
IV. Portfolio receivables from assumed reinsurance business
C. Capital investments for the account and at the risk of life insurance policyholders
D. Accounts receivable
I. Accounts receivable for self-contracted insurance business from:
1. Policyholders
a) Claims due
b) Claims not yet due
2. Insurance agents Portion from affiliated companies € 239.45 (previous year: € 0.00)
II. Settlement receivables from reinsurance business
III. Other accounts receivable Portion from affiliated companies € 355,536.94 (previous year: € 535,833.30) Portion from companies with which a shareholding relationship exists: € 3,175,535.48 (previous year: € 3,004,421.45)
E. Other assets
I. Real estate intended for sale and other assets of non-insurance companies
II. Tangible assets and supplies
III. Current bank balances, checks and cash in hand
IV. Remaining assets
F. Accrued and deferred items
I. Deferred interest and rents
II. Other accrued and deferred items
G. Total asset-side deferred taxes
H. Asset-side difference from offsetting of assets
Total assets

Appendix				2014	2013
2 p. 70			22,990,305.01		26,097,333.16
3 p. 70			9,328,491.57		8,973,319.88
				32,318,796.58	**35,070,653.04**
34 p. 82					
4 p. 71			219,613,502.71		219,709,041.00
5 p. 71					
		3,086,579.34			1,989,922.95
		221,300.00			0.00
		11,015,831.86			9,856,583.95
		21,268,381.09			26,781,170.66
		0.00			0.00
			35,592,092.29		38,627,677.56
6 p. 71		2,181,291,679.29			2,323,012,082.59
7 p. 71		1,433,454,013.26			1,206,616,086.61
10 p. 72		130,620,420.00			154,881,763.47
9 p. 72	975,056,459.40				783,056,459.40
	650,813,298.58				521,809,901.11
	54,386,000.00				60,259,567.25
8 p. 72	9,419,879.44				15,052,446.16
		1,689,675,637.42			1,380,178,373.92
12 p. 72		231,286,330.86			332,304,063.29
		22,451,854.03			20,983,090.73
			5,688,779,934.86		5,417,975,460.61
			30,348,840.21		26,480,968.85
				5,974,334,370.07	**5,702,793,148.02**
11 p. 72				**269,242,310.89**	**216,937,371.42**
13 p. 72					
	51,686,093.84				46,614,820.54
	50,690,863.09				53,133,754.61
		102,376,956.93			99,748,575.15
		28,002,135.00			27,027,526.94
			130,379,091.93		126,776,102.09
			34,277,521.74		29,813,862.67
			49,756,015.74		52,931,975.52
				214,412,629.41	**209,521,940.28**
			37,035,997.04		44,573,254.98
14 p. 72 15 p. 72			27,739,696.82		30,721,202.64
			138,405,570.77		132,606,067.65
16 p. 72			73,867,484.45		71,056,951.10
				277,048,749.08	**278,957,476.37**
17 p. 72					
			62,373,953.55		55,535,665.09
			11,329,681.65		12,236,621.66
				73,703,635.20	**67,772,286.75**
18 p. 73 35 p. 85				**52,264,251.04**	**48,938,447.23**
19 p. 73				**5,571.21**	**140,255.94**
				6,893,330,313.48	**6,560,131,579.05**

Consolidated Balance Sheet as of 31 December 2014

Liabilities

(in euros)
A. Equity
I. Subscribed capital
II. Revenue reserves
1. Statutory reserves
2. Other revenue reserves
3. Currency exchange rate reserves
4. Difference according to Art. 309 (1) HGB
III. Group earnings
1. Group net income
IV. Balancing item for shares of other shareholders
B. Difference from consolidation of capital
C. Subordinated liabilities
D. Special reserve item
E. Underwriting reserves
I. Unearned premiums
1. Gross amount
2. Less: portion for reinsured business
II. Actuarial reserves
1. Gross amount
2. Less: portion for reinsured business
III. Provision for outstanding claims
1. Gross amount
2. Less: portion for reinsured business
IV. Provision for profit-linked and non-profit-linked premium rebates
V. Fluctuation reserve and similar provisions
VI. Other underwriting reserves
1. Gross amount
2. Less: portion for reinsured business
F. Underwriting reserves in the life insurance segment, insofar as the investment risk is borne by the policyholders
I. Actuarial reserves
II. Other underwriting reserves
Carryover:

Appendix			2014	2013
32 p. 79 40 p. 92				
		200,000,000.00		200,000,000.00
	8,981,628.00			8,329,091.00
	170,836,280.80			143,161,784.00
	4,488,483.88			–935,199.93
	–35,999,890.82			–35,999,890.82
		148,306,501.86		114,555,784.25
	45,220,453.23			46,798,955.18
		45,220,453.23		46,798,955.18
		7,096,977.19		32,758,595.03
			400,623,932.28	**394,113,334.46**
1 p. 69			**656,541.97**	**656,541.97**
20 p. 73			**80,000,000.00**	**50,000,000.00**
			0.00	**0.00**
21 p. 73				
	234,493,583.34			223,036,451.96
	–2,144,061.17			–2,411,712.34
		232,349,522.17		220,624,739.62
22 p. 73				
	3,619,595,598.99			3,501,787,543.15
	–39,759,763.00			–46,360,660.00
		3,579,835,835.99		3,455,426,883.15
23 p. 76				
	1,382,566,674.52			1,338,244,085.09
	–34,194,816.23			–31,747,620.30
		1,348,371,858.29		1,306,496,464.79
		298,734,525.05		269,848,508.47
24 p. 77		60,036,264.00		71,550,351.00
25 p. 77				
	17,017,742.29			6,978,313.05
	0.00			0.00
		17,017,742.29		6,978,313.05
			5,536,345,747.79	**5,330,925,260.08**
		223,420,812.54		173,380,701.87
		45,821,498.35		43,556,669.55
			269,242,310.89	**216,937,371.42**
			6,286,868,532.93	**5,992,632,507.93**

Consolidated Balance Sheet as of 31 December 2014

Liabilities

(in euros)
Carryover:
G. Other provisions
I. Reserve for pensions and similar obligations
II. Reserve for taxes
III. Other reserves
H. Portfolio liabilities for reinsured insurance business
I. Other liabilities
I. Liabilities from self-contracted insurance business with:
1. Policyholders
2. Insurance agents portion attributable to affiliated companies € 13.21 (previous year: € 13.21)
II. Settlement liabilities from reinsurance business
III. Debts to banks
IV. Other liabilities portion attributable to taxes: € 25,114,404.17 (previous year: € 18,788,186.28) portion attributable to social security: € 1,740,950.12 (previous year: € 1,492,162.34) portion attributable to affiliated companies € 228,490.90 (previous year: € 116,372.05) portion attributable to companies with which a shareholding relationship exists: € 0.00 (previous year: € 177,633.45) portion secured by property lien: € 0.00 (previous year: € 0.00)
J. Accrued and deferred items
K. Liability-side deferred taxes
Total liabilities

Appendix			2014	2013
			6,286,868,532.93	**5,992,632,507.93**
26 p. 77		221,296,846.30		210,053,876.90
		31,948,063.74		20,787,852.56
27 p. 78		84,411,035.87		62,774,615.15
			337,655,945.91	**293,616,344.61**
28 p. 78			**42,823,479.35**	**49,598,670.48**
29 p. 78				
	48,960,218.15			48,807,864.57
	32,173,740.44			32,701,149.73
		81,133,958.59		81,509,014.30
29 p. 78		5,808,148.00		4,188,804.87
30 p. 78		25,283,008.22		26,300,885.79
		85,229,442.51		99,284,297.40
			197,454,557.32	**211,283,002.36**
31 p. 79			**28,527,797.97**	**13,001,053.67**
			0.00	**0.00**
			6,893,330,313.48	**6,560,131,579.05**

Consolidated Profit and Loss Statement for the Period from 1 January to 31 December 2014

Item
(in euros)
I. Underwriting account for property and accident insurance segment
1. Earned premiums for own account
a) Gross premiums written
b) Premiums for reinsured business
c) Change in gross unearned premiums
d) Change in reinsurers' portion of gross unearned premiums
2. Technical interest earned for own account
3. Other underwriting result for own account
4. Cost of claims for own account
a) Payments for claims
aa) Gross amount
bb) Reinsurers' portion
b) Change in provision for outstanding claims
aa) Gross amount
bb) Reinsurers' portion
5. Change in other net actuarial reserves
a) Net actuarial reserves
b) Other actuarial reserves
6. Cost of profit-linked and non-profit-linked premium rebates for own account
7. Cost of insurance business for own account
a) Gross cost of insurance business
b) Less: commissions and profit-sharing received from reinsurance business
8. Other underwriting costs for own account
9. Subtotal
10. Change in fluctuation reserve and similar provisions
11. Underwriting result for own account in property and accident insurance segment

	Appendix			2014	2013
	33 p. 81	1,026,065,728.22			973,392,264.61
		– 11,278,847.89			– 10,175,511.57
			1,014,786,880.33		963,216,753.04
		– 3,478,240.46			2,220,497.02
		– 218,534.49			57,668.13
			– 3,696,774.95		2,278,165.15
				1,011,090,105.38	**965,494,918.19**
				623,829.00	**616,940.00**
				2,004,440.26	**1,773,388.29**
		522,863,013.72			502,495,873.59
		– 5,062,759.16			– 6,408,890.15
			517,800,254.56		496,086,983.44
		40,553,584.20			24,030,902.09
		– 2,811,741.04			1,989,570.00
			37,741,843.16		26,020,472.09
				555,542,097.72	**522,107,455.53**
			0.00		0.00
			2,143,009.08		3,037,206.05
				2,143,009.08	**3,037,206.05**
	39 p. 89			**0.00**	**0.00**
			430,576,407.62		407,243,122.92
			– 1,923,529.93		– 1,591,972.42
				428,652,877.69	**405,651,150.50**
				1,499,764.66	**1,731,866.77**
				30,166,643.65	**41,431,979.73**
				11,514,087.00	**– 6,281,173.20**
				41,680,730.65	**35,150,806.53**

Consolidated Profit and Loss Statement for the Period from 1 January to 31 December 2014

Item
(in euros)
II. Underwriting account for life and health insurance segment
1. Earned premiums for own account
a) Gross premiums written
b) Premiums for reinsured business
c) Change in gross unearned premiums
d) Change in reinsurers' portion of gross unearned premiums
2. Premiums from gross provisions for premium rebates
3. Income from capital investments
a) Earnings from shareholdings
b) Earnings from associated companies
c) Income from other capital investments portion from affiliated companies: €0.00 (previous year: €0.00)
aa) Income from real estate, comparable rights and buildings including those on third-party property
bb) Income from other capital investments
d) Gains from write-ups
e) Gains from sale of capital investments
4. Unrealized profits from capital investments
5. Other underwriting result for own account
6. Cost of claims for own account
a) Payments for claims
aa) Gross amount
bb) Reinsurers' portion
b) Change in provision for outstanding claims
aa) Gross amount
bb) Reinsurers' portion
7. Change in other net actuarial reserves
a) Net actuarial reserves
aa) Gross amount
bb) Reinsurers' portion
b) Other underwriting reserves
8. Cost of profit-linked and non-profit-linked premium rebates for own account
9. Cost of insurance business for own account
a) Cost of sales
b) Administrative costs
c) Less: commissions and profit-sharing received from reinsurance business
10. Costs of capital investments
a) Costs for administration of capital investments, interest costs and other capital investment costs
b) Write-downs on capital investments Portion for extraordinary write-downs €3,474,022.49 (previous year: €17,864,720.19)
c) Losses from disposal of capital investments
11. Unrealized losses from capital investments
12. Other underwriting costs for own account
13. Underwriting result for own account in life and health insurance segment

	Appendix			2014	2013
	33 p. 81	562,088,695.56			556,687,928.05
		–5,077,587.03			–5,593,196.18
			557,011,108.53		551,094,731.87
		–311,186.12			–62,477.24
		–183,419.50			–134,103.64
			–494,605.62		–196,580.88
				556,516,502.91	**550,898,150.99**
				14,534,305.78	**9,528,535.31**
			1,504,246.80		311,255.40
			0.00		0.00
		9,558,146.32			10,023,572.22
		157,657,420.87			143,814,217.25
			167,215,567.19		153,837,789.47
			31,396,416.10		11,628,103.03
			14,061,507.39		24,961,551.23
				214,177,737.48	**190,738,699.13**
	36 p. 86			**21,113,124.91**	**28,502,200.91**
				6,135,250.88	**6,474,183.03**
		435,798,713.98			416,904,929.84
		–9,056,275.27			–7,473,533.15
			426,742,438.71		409,431,396.69
		–3,219,785.99			–3,702,602.21
		–364,545.11			–462,244.50
			–3,584,331.10		–4,164,846.71
				430,326,769.81	**413,596,243.40**
		–174,447,664.51			–161,448,941.44
		–14,517,299.80			–2,454,976.00
			–188,964,964.31		–163,903,917.44
			0.00		–6,365,652.47
				–188,964,964.31	**–170,269,569.91**
	39 p. 89			**64,246,907.65**	**55,602,058.04**
		67,356,341.41			62,438,087.61
		17,715,816.67			17,531,497.15
			85,072,158.08		79,969,584.76
			–2,182,268.15		–220,416.05
				82,889,889.93	**79,749,168.71**
			6,192,274.14		6,295,196.98
			5,736,463.71		20,116,165.80
			1,278,902.71		1,992,697.67
				13,207,640.56	**28,404,060.45**
				926,011.79	**915,179.98**
				13,005,950.08	**20,284,225.78**
				18,908,787.83	**17,321,263.10**

Consolidated Profit and Loss Statement for the Period from 1 January to 31 December 2014

Item
(in euros)
III. Non-underwriting account
1. Underwriting result for own account
a) in property and accident insurance segment
b) in life and health insurance segment
2. Income from capital investments, where not stated under II. 3.
a) Earnings from shareholdings portion from affiliated companies: € 199,000.00 (previous year: € 518,579.13)
b) Earnings from associated companies
c) Income from other capital investments Portion from affiliated companies: € 0.00 (previous year: € 0.00)
aa) Income from real estate, comparable rights and buildings including those on third-party property
bb) Income from other capital investments
d) Gains from write-ups
e) Gains from disposal of capital investments
3. Costs for capital investments, where not stated under II. 10.
a) Costs for administration of capital investments, interest costs and other capital investment costs
b) Write-downs on capital investments Portion for extraordinary write-downs € 8,155,840.84 (previous year: € 7,726,033.90)
c) Losses from disposal of capital investments
d) Assumption of losses from associated companies according to equity method
4. Technical interest earnings
5. Sales revenue of non-insurance subsidiaries
6. Production costs for services required to generate sales revenue from non-insurance subsidiaries
7. Other earnings
8. Other costs portion for write-downs on goodwill arising from the consolidation of capital: € 3,132,819.56 (previous year: € 4,310,343.69)
9. Non-underwriting result
10. Profit on ordinary business
11. Extraordinary earnings
12. Extraordinary costs
13. Earnings before taxes
14. Taxes on income and earnings Portion from change in accounting of deferred taxes: Income € 3,325,803.81 (previous year: Expense € 3,270,843.83)
15. Other taxes
16. Profit/loss for year before external components
17. Profit attributable to other shareholders
18. Loss attributable to other shareholders
19. Net income

Appendix				2014	2013
			41,680,730.65		35,150,806.53
			18,908,787.83		17,321,263.10
				60,589,518.48	**52,472,069.63**
		471,290.02			795,635.09
		3,156,348.16			2,826,676.07
	14,535,796.78				14,590,381.28
	49,808,134.86				48,764,835.00
		64,343,931.64			63,355,216.28
		11,411,868.22			11,096,091.33
		16,926,035.13			6,193,091.09
			96,309,473.17		84,266,709.86
		11,075,997.65			10,912,161.60
		11,517,872.12			11,011,561.79
		567,105.87			1,421,323.45
		0.00			0.00
			23,160,975.64		23,345,046.84
				73,148,497.53	**60,921,663.02**
				–623,829.00	**–616,940.00**
				57,606,694.83	**50,213,703.19**
				51,215,092.31	**45,073,529.68**
			20,952,131.17		24,495,582.69
			75,981,871.51		66,323,094.22
				–55,029,740.34	**–41,827,511.53**
				23,886,530.71	**23,617,385.00**
				84,476,049.19	**76,089,454.63**
37 p. 86			0.00		0.00
37 p. 86			266,844.00		266,844.00
				–266,844.00	**–266,844.00**
				84,209,205.19	**75,822,610.63**
38 p. 86			35,474,682.32		25,450,298.85
			1,480,776.15		1,599,766.92
				36,955,458.47	**27,050,065.77**
				47,253,746.72	**48,772,544.86**
			–2,980,874.54		–4,448,422.64
			947,581.05		2,474,832.96
				–2,033,293.49	**–1,973,589.68**
				45,220,453.23	**46,798,955.18**

Group Appendix

I. Information on the Scope of Consolidation and the Accounting, Valuation and Consolidation Methods

Legal basis for preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of ARAG Holding SE and the Group Management Report were prepared according to the provisions of the German Commercial Code (HGB) for large corporations taking into consideration the supplementary requirements for insurance companies of 8 November 1994 (RechVersV), taking particular account of the Group accounting requirements as set forth in Art. 341 i, 341 j HGB and Art. 58 – 60 RechVersV and the German accounting standards. The latter were applied only insofar as they do not impair the continuity of valuation and insofar as they are significant for reporting the assets, financial and earnings situation of the Group. The transitional regulations of the German Accounting Law Modernization Act (BilMoG) of 25 May 2009 set forth in Art. 67 of the Introductory Law to the German Commercial Code (EGHGB) were applied to some Group subsidiaries.

In accordance with Art. 58 (1) RechVersV, forms 1 and 4 were used for the structure of the Consolidated Financial Statements. The forms were expanded to reflect special features of the Group as well as items for non-insurance business.

To the greatest extent possible, the financial statements of the companies included in the Consolidated Financial Statements were prepared in a uniform manner using the accounting and valuation principles of the ARAG Group. Financial statements of subsidiaries that were not prepared according to the German Commercial Code and the RechVersV have been adapted in accordance with German accounting principles following a rollover of amounts, breakdown and valuation, insofar as these are not associated companies.

The accounting and valuation methods of the associated companies differ fundamentally from German accounting principles. A holding company located in Switzerland prepared its annual financial statements according to the Swiss Code of Obligations. The requirement to reconcile the financial statements was waived on account of the largely identical foreign accounting methods in relation to the German Commercial Code.

Scope of consolidation

The Consolidated Financial Statements reported on 39 (previous year: 31) subsidiaries in accordance with Art. 301 (1) HGB as of 31 December 2014. One company was included in the scope of consolidation as an associated company according to Art. 311 HGB.

As of 31 December 2014, the scope of consolidation not including associated companies comprises 7 insurance companies (previous year: 7), 2 service companies in the area of electronic data processing and business organization (previous year: 2), 3 real estate management companies (previous year: 3), 23 other service companies (previous year: 15) and 5 holding and asset companies (including the umbrella company, previous year: 5).

The Consolidated Financial Statements do not include 25 (previous year: 24) Group subsidiaries, since, due to the minor significance of these companies, their omission from the scope of consolidation in no way impairs the asset, financial or earnings situation of the Group.

The following companies were included in the Consolidated Financial Statements:

Name of company	Group share
	(in percent)
1 Advisory Communications System Inc., Des Moines, Iowa/USA	100.00
2 AFI Verwaltungs-Gesellschaft mbH, Düsseldorf	100.00
3 ALIN 1 Verwaltungs-GmbH, Düsseldorf	100.00
4 ALIN 2 Verwaltungs-GmbH, Düsseldorf	100.00
5 ALIN 3 Verwaltungs-GmbH, Düsseldorf	91.00
6 ALIN 4 Verwaltungs-GmbH, Düsseldorf	93.26
7 ALIN 1 GmbH & Co. KG, Düsseldorf	100.00
8 ALIN 2 GmbH & Co. KG, Düsseldorf	100.00
9 ALIN 3 GmbH & Co. KG, Düsseldorf	91.00
10 ALIN 4 GmbH & Co. KG, Düsseldorf	93.26
11 ALV Vermögens- und Beteiligungs-Verwaltungs AG, Munich	91.00
12 ARAG 2000 Beteiligungs-Gesellschaft mbH & Co. KG, Munich	91.00
13 ARAG 2000 Grundstücksgesellschaft bR, Düsseldorf	94.79
14 ARAG Holding SE, Düsseldorf, **Group parent company**	100.00
15 ARAG SE, Düsseldorf	100.00
16 ARAG Allgemeine Versicherungs-AG, Düsseldorf	100.00
17 ARAG Association LLC, Des Moines, Iowa/USA	100.00
18 ARAG Insurance Company Inc., Des Moines, Iowa/USA	100.00
19 ARAG International Holding GmbH, Düsseldorf	100.00
20 ARAG IT GmbH, Düsseldorf	100.00
21 ARAG Krankenversicherungs-AG, Munich	93.26
22 ARAG Lebensversicherungs-AG, Munich	91.00
23 ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Düsseldorf	100.00
24 ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Düsseldorf	100.00
25 ARAG LLC, Des Moines, Iowa/USA	100.00
26 ARAG North America Inc., Des Moines, Iowa/USA	100.00
27 ARAG Plc., Bristol/Great Britain	100.00
28 ARAG Service Center GmbH, Düsseldorf	100.00
29 ARAG Services LLC, Des Moines, Iowa/USA	100.00
30 ATE Limited, Bristol/Great Britain (deconsolidated as of 31 December 2014)	0.00
31 CUR Versicherungsmakler GmbH, Düsseldorf	100.00
32 Cura Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Düsseldorf	100.00
33 Cura Versicherungsvermittlung GmbH, Düsseldorf	100.00
34 IGD Immobilien GmbH i. L., Düsseldorf	100.00
35 Interlloyd Versicherungs-AG, Düsseldorf	100.00
36 HELP Forsikring AS, Oslo/Norway	100.00
37 ARAG Legal Services B.V., Leusden/Netherlands	100.00
38 SolFin GmbH, Düsseldorf	75.10
39 TERRA Gesellschaft für Finanzdienstleistungen und Beratung mbH, Düsseldorf	100.00
40 WOWOBAU Wohnungsbaugesellschaft mbH, Munich	91.00

The following company was included as an associated company:

Name of company	Group share
	(in percent)
1 AXA-ARAG Rechtsschutzversicherungsgesellschaft, Zurich/Switzerland	29.17

Janolaw AG, Sulzbach, in which the Group holds 25.1 percent of the shares, was not included as an associated company pursuant to Art. 311 (2) HGB as the company does not prepare its financial statements in a timely manner and is of only secondary importance for the asset, financial and earnings situation of the Group.

The following companies were not included in the Consolidated Financial Statements in accordance with Art. 296 (2) and Art. 311 (2) HGB:

Name of company	Group share	Equity	Net profit/loss
	(in percent)	*(in euros)*	*(in euros)*
1 ABRAL Beteiligungsverwaltung GmbH, Munich	91.00	151,926.18	– 1,782.25
2 Agencia de Seguros ARAG S. A., Barcelona/Spain	100.00	178,692.37	108,588.22
3 ALVA Aktiengesellschaft, Munich	91.00	145,878.51	– 53,629.08
4 ARAG Services Spain & Portugal S. L., Barcelona/Spain	100.00	343,126.81	5,562.33
5 ARAG-France S. A. R. L. Assistance et Règlement de Sinistres Automobiles et Généraux, Versailles/France	100.00	18,988.00	0.00
6 ARCA-A GmbH i. L., Munich	91.00	16,998.22	– 1,670.61
7 ARCA-B GmbH, Munich	91.00	16,797.73	– 1,847.00
8 ARCA-C GmbH, Munich	91.00	5,017.56	– 13,309.04
9 ARCA-D GmbH, Munich	91.00	16,848.90	– 1,847.00
10 ARCA-F GmbH i. L., Munich	91.00	16,477.58	– 2,217.91
11 ARCA-G GmbH, Munich	91.00	16,836.79	– 1,847.00
12 ARCA-H GmbH, Munich	91.00	16,886.21	– 1,814.77
13 ARCA-I GmbH, Munich	91.00	16,771.38	– 1,847.00
14 ARCA-J GmbH, Munich	91.00	5,192.09	– 13,158.87
15 ARCANSA Beteiligungsverwaltung GmbH, Munich	91.00	– 59,465.99	61,019.14
16 ARCAP Beteiligungsverwaltung GmbH & Co. Columbus Immobilien Fonds XVI, Munich*	54.31	4,206,792.32	– 42,824.07
17 ATE Group Services Limited, Bristol/Great Britain	100.00	1.29	0.00
18 Columbus Capital Service GmbH i. L., Munich*	91.00	43,929.80	– 20,212.03
19 Easy2claim Limited, Bristol/Great Britain	100.00	1.29	0.00
20 GWV-AVUS Beteiligungsmanagement GmbH, Munich	91.00	603,387.86	– 13,767.41
21 JuroDirect B. V., Maastricht/Netherlands*	100.00	422,270.00	63,825.00
22 Jurofoon B. V., Maastricht/Netherlands	100.00	701,518.00	104,909.00
23 Juronet B. V., Maastricht/Netherlands	100.00	– 319,617.00	– 50,829.00
24 Prinzregent Vermögensverwaltungs-GmbH, Munich	91.00	33,488.25	241.75
25 VIF Gesellschaft für Versicherungsvermittlung mit beschränkter Haftung, Düsseldorf	100.00	136,742.32	105,297.11

* Figures from Financial Statements as at 31 December 2013

Consolidation principles

The Consolidated Financial Statements were prepared on the basis of the individual financial statements of the respective subsidiaries. The fiscal year comprises the period from 1 January to 31 December 2014 and is identical to the fiscal years of the subsidiaries involved.

The consolidation of capital was undertaken up to and including 2010 using the book value method, thereafter using the revaluation method by offsetting the acquisition costs of the shareholdings in the subsidiaries included with their proportional equity as of the date they were first included in the scope of consolidation. Any resulting asset-side differences were allocated to valuations of the assets of the respective subsidiary, insofar as there was scope for valuation. The asset-side difference exceeding the permissible appreciation in value was essentially stated as goodwill and depreciated over the anticipated period of use.

Insofar as subsidiaries were included in the 1989 Consolidated Financial Statements in application of Art. 27 of the Introductory Law to the German Commercial Code (EGHGB), or the asset-side difference represents a loss that was reflected in previous years' financial statements of the parent company, an open offsetting against revenue reserves was performed in past years. Differences have not been offset against revenue reserves for first-time consolidations since 2010, as this is no longer permitted according to Art. 301 (3) HGB and German Accounting Standard DRS 4.28.

1 **Liabilities-side differences from capital consolidation** occurred in 2009 for technical reasons, when an extraordinary write-down on a subsidiary was required between the time of the first inclusion of acquired shares and the acquisition date of these shares. The difference will be maintained until the divestment of the subsidiary as such.

Shareholdings in associated companies were reported at the proportional equity or the Group's acquisition costs respectively in accordance with Art. 312 HGB. The values as of the acquisition date or the date of the first financial statements following acquisition were used for the first-time application of the equity method, insofar as no interim financial statements were available. The differing valuation of assets and debts of associated companies in their financial statements was not adjusted for the purpose of applying the equity method.

Intra-Group profits subject to elimination were deducted from the valuations of the respective assets in a manner affecting the current result, insofar as they are of more than minor significance for obtaining an accurate understanding of the asset, financial and earnings situation when taken as a whole. The discretionary right pursuant to Art. 341 j (2) HGB was exercised consistently, insofar as intra-Group profit gave rise to entitlement on the part of the policyholders. Accounts receivable and payable between Group subsidiaries were offset against other.

Earnings from services between companies included in the Consolidated Financial Statements were offset against their respective shares of the service provider costs. Reciprocal agency services of the insurance companies included in the scope of consolidation are performed under standard, externally comparable terms and conditions. The consolidation of commissions arising from agency services was performed in the Consolidated Financial Statements at the level of the company performing the service by offsetting these against the associated costs.

Currency conversion

The financial statements prepared in foreign currencies were converted into euros in accordance with the reporting date principle based on the mean exchange rate as of the date of accounting. Valuation dates are 30 June, 30 September and 31 December. The difference between the historical exchange rate and the equity converted at the exchange rate as of the day of accounting that is attributable to the Group share in the amount of €5,423,683.81 was transferred to revenue reserves in a manner not affecting the operating result.

Appropriation, valuation and statement methods

The Group Balance Sheet and the Group Statement of Profit and Loss were structured according to the forms required pursuant to the applicable accounting regulations (RechVersV). As the Group is active in multiple lines of business, the balance sheet structure had to be expanded to include "Real estate intended for sale and other assets of non-insurance companies" and the line items "Sales revenue of non-insurance subsidiaries" and "Production costs for services required to generate sales revenue from non-insurance subsidiaries" were added to the Statement of Profit and Loss.

2 **Goodwill** results from capital consolidation as well as from company acquisitions. The depreciation period was determined as the anticipated useful life in accordance with DRS 4 Item 31. This is assumed to be 15 years (portfolio value) for insurance companies and is estimated for other companies on a case-by-case basis (up to five years). As of 31 December 2014, there is goodwill with a residual period of use of over five years in the amount of €12.2 million. The useful life was originally set at 15 years as the goodwill was shown as an insurance portfolio. Experience shows that this fluctuates by around 6 to 7 percent per year.

3 **Other intangible assets** are stated at their acquisition costs, less straight line depreciation. The book value of €9,328,491.57 breaks down as €7,517,655.04 for software, €1,759,792.53 for tenant improvements to business premises in Italy and Slovenia, €50,000.00 for two industrial property rights and €1,044.00 for a right of use. Software is essentially depreciated on a straight line basis over five years. Tenant improvements are depreciated on a straight line basis over the remaining term of the leases. No depreciation was performed on the industrial property rights. The right of use is depreciated on a straight-line basis over the duration of its term. No unplanned write-downs were performed during the fiscal year under review.

4 **Real estate** is valued at its acquisition or production cost less scheduled depreciation and write-downs in accordance with the strict lower of cost or market principle. As in the previous year, no unscheduled write-downs on real estate were necessary on account of anticipated permanent impairment in the fiscal year under review. No property, which is stated as capital investment, is encumbered with land charges as security for bank debts.

5 **Shares in affiliated companies not included in the Consolidated Financial Statements** and in **other shareholdings** are valued at their acquisition costs in accordance with Art. 253 (1) HGB less unscheduled write-downs on account of permanent impairment. In the fiscal year under review, write-downs were performed on companies not included in the scope of consolidation in the amount of €53,630.37 (previous year: €16,096.78). **Shareholdings in associated companies** were valued at their book value on the date of acquisition of the shares or the date of their initial inclusion in the Consolidated Financial Statements, increased or reduced respectively by the proportional amount of changes in equity in subsequent years. The goodwill resulting from the application of the equity method amounted to €0.00 as of 31 December 2014 (previous year: €0.00).

Lending to affiliated companies not included in the Consolidated Financial Statements is stated at par value. In the case of permanent impairments, non-scheduled write-downs are performed at their fair value. No write-downs had to be performed in the fiscal year under review (previous year: €0.00).

6 **Stocks, investment fund shares and other non-fixed-interest securities** are always valued in accordance with Art. 341 b (2) HGB in conjunction with Art. 253 (1), (3) and (4) HGB at acquisition cost or at the lower value on the day of accounting, respectively. For investment fund shares assigned to capital investments in previous years, an assessment of the value to be reported was made in accordance with the modified lower of cost or market principle as provided for in Art. 253 (3) clause 3 HGB. Write-downs were only performed to the extent that the underlying decline in value is considered to be permanent. Accordingly, write-ups are only performed insofar as the recovery in value is sustainable in nature. As of 31 December 2014, the stock exchange value for special funds was considered a sustainable value. In the fiscal year under review, write-downs were performed in the amount of €2,425,197.66 (previous year: €17,824,254.86) on account of the anticipated long-term loss of value. Write-ups in accordance with Art. 253 (5) HGB were made in the fiscal year under review in the amount of €36,187,081.72 (previous year: €21,693,842.84).

No hidden liabilities were created through the omission of write-downs due to the designation of special fund shares for permanent use in business operations. As of 31 December 2014, the present value was not below the book value.

Pursuant to Art. 8 a of the German law governing senior part-time employment (AltTZG), investment fund shares in the amount of €0.00 (previous year: €1,828,761.84) have been pledged as security for performance shortfalls from the active phase in accordance with the block model.

7 **Bearer bonds and other fixed-interest securities** are always valued in accordance with Art. 253 (1) clause 1, (4) and (5) and Art. 256 HGB, which govern current assets. In accordance with Art. 341 (2) subclause 2 HGB, a partial portfolio was designated for permanent use in business operations. Hidden liabilities of €0.1 million (previous year: €1.0 million) were created against this partial portfolio, as no write-downs were performed on account of the purely temporary nature of the reduction in value.

8 **Remaining lending** consists of registered participation certificates, other loans and advance payments on insurance policies. These are valued at acquisition cost less redemption payments.

9 **Registered debentures** are stated at their face value. Discounts are distributed on a straight-line basis using the accrual method of income recognition. Premiums are carried as assets and released on a straight-line basis as scheduled over the duration.

10 **Mortgages receivable, other similar rights, fixed interest debts and other capital investments** are reported at their acquisition costs or redemption values, respectively. Write-ups in accordance with Art. 253 (3) clause 3 HGB were carried out in the amount of €1,651,224.80 (previous year: €66,505.00).

11 **Capital investments for the account and risk of life insurance policyholders** are reported at present value. This valuation corresponds to the gross reserves stated on the liability side under item F.

12 **Bank deposits** are stated at nominal value. A fixed-term deposit account in the amount of €1,285,524.81 was pledged to Gladbacher Bank AG von 1922 as security for a bank aval. A current bank account with a credit balance of €1,778,154.75 has been pledged to the Bank für Tirol und Vorarlberg AG as security for building loans.

13 **Accounts receivable** are always reported at nominal value. In the case of receivables from policyholders and trade accounts receivable, a general charge is made for the potential risk of nonpayment; receivables from agents are adjusted using individual bad debt provisions plus a general charge equivalent to the expected bad debts. Receivables from the sale of property (stated under other accounts receivable) are assigned to Deutsche Pfandbriefbank AG in the amount of €528,767.12 as security for building loans.

14 Pursuant to Art. 253 (1) clause 1 HGB, **tangible assets** are capitalized at acquisition cost and depreciated on a straight-line basis over their normal useful life.

15 **Inventories** are determined by taking a physical inventory. These are valued at their procurement costs. The inventories of the property development companies are reported at their cost of production, which includes the appropriate portions of administrative costs and precisely calculable portions of financing costs attributable to the period of production. Inventories with a book value of €36,160,242.18 (previous year: €43,532,128.69) of the Group's property development companies are encumbered with land charges or assignment of rights arising from sales in favor of the financing banks.

16 **Other assets** are reported at par value. Tax credits in accordance with Art. 37 (5) of the German Corporate Income Tax Act (KStG) are valued at their cash value based on a discount rate of 4.5 percent.

17 **Accrued and deferred items** mainly include deferred interest not yet payable for the income period up to the day of accounting as well as payments that are recognized as expenses after the day of accounting. These also include €5,460,946.21 (previous year: €6,201,051.61) from the difference according to Art. 341 c (2) clause 2 HGB.

18 **Asset-side deferred taxes** take into account the anticipated tax relief for subsequent fiscal years in the respective amount of current and future income tax rates if the valuation is sufficiently reliable. Insofar as differences arise between commercial and tax valuations due to temporary differences between commercial and tax balance sheet value adjustments for the purpose of standard valuation in the Consolidated Financial Statements and due to consolidation actions, insofar as these are expected to be reduced in subsequent fiscal years, deferred taxes are determined for these on the basis of the individual tax rates applicable to each company. This also takes into account differences for which the reversal date has not been precisely determined or is dependent on a Group arrangement or would not occur until the date of liquidation. Insofar as they exist, tax losses carried forward are taken into account to the extent that these are expected to balance out over the next five fiscal years. Differences not expected to be balanced out after five years are adjusted appropriately in a resulting asset-side deferred tax balance in order to take into account future uncertainties beyond the scope of individual corporate planning.

19 The balance from pension obligations at cash value and the present value of the covering assets are stated as the **asset-side difference from the offsetting of assets**.

20 **Subordinated liabilities** were issued by means of a private placement in order to improve own funds with respect to Group solvency. Subordinated liabilities were stated as liabilities at the repayment amount (= settlement amount). These securities are not tradable on an organized German market pursuant to Art. 2 (5) of the applicable securities statute (WpHG).

21 **Gross unearned premiums** for self-contracted insurance business are calculated on the basis of written premiums and cancellations using the pro rata temporis method based on each individual contract and reduced by the charges for installments contained therein. The unearned premiums of the domestic insurance subsidiaries are reduced by the portion ineligible for carrying forward in accordance with the memorandum of the German Federal Ministry of Finance (BMF) dated 30 April 1974. 85 percent of agent commissions and other remuneration paid to representatives is classified as ineligible for carrying forward. In the case of unearned premiums of foreign insurance subsidiaries, amounts carried forward are reduced by the portion shown on the asset side.
Reinsurers' portions of unearned premiums are assessed according to the contractual arrangements.

22 **Actuarial reserves for life insurance** – for insured amounts and bonus sums – in the old portfolio were calculated according to actuarial principles established in line with the business plan by the German Federal Financial Supervisory Authority (BaFin).

These actuarial reserves were calculated using the prospective method with implicit consideration of future costs on a policy-by-policy basis. In this process, the following calculation basis was used to ring-fence single life insurance policies and endowment life insurance policies (with a share of 34.5 percent of total actuarial reserves). Actuarial rates of 3 percent and 3.5 percent, maximum zillmerization of 35 per mil of insured amounts (exception: rates with higher death benefit) as well as mortality rates according to the mortality tables ADSt 01/10 combined, ADSt 24/26 M, ADSt 60/62 mod. M and ADSt 1986, separate for men and women.

These actuarial reserves for new portfolio contributory insurance plans were calculated using the prospective method with implicit consideration of future administrative costs on a policy-by-policy basis. In calculating the surrender values and balance-sheet actuarial reserves from the 2008 rate structure onwards, the cost of sales was distributed over five years in accordance with the German Insurance Contract Act (VVG). In the case of non-contributory policies, in particular for bonus insured amounts and policies with an abbreviated contribution period, an explicit provision was formed for administrative costs in the non-contributory periods. The German Federal Financial Supervisory Authority has been informed of the calculation principles used in this calculation in accordance with Art. 13 d (6) VAG.

The actuarial reserves for single life insurance policies (24.4 percent of total actuarial reserves) were calculated at an actuarial interest rate of 4 percent (rate structures 94/95 and 98), 3.25 percent (rate structure 2000), 2.75 percent (rate structure 2004), 2.25 percent (rate structures 2007 and 2008) and 1.75 percent (rate structures 2012 and 2013) respectively, at a zillmerization rate of 33 per mil of the insured amount (rate structure 94/95, except for rates with higher death benefit) and 40 per mil of the insured amount (rate structures 1998, 2000, 2004, 2007, 2008, 2012) and mortality rates in accordance with mortality table DAV 1994 T, separately for men and women. In-house unisex tables based on the above-mentioned mortality tables DAV 1994 T were used for the unisex rate structure 2013.

The following calculation principles were used for individual pension insurance policies (23.2 percent of total actuarial reserves) until 2004: actuarial interest rate of 4 percent, 3.25 percent and 2.75 percent respectively, zillmerization rate of 33 per mil of the flat-rate settlement (rate structure 94/95) and 40 per mil of the premium amount (rate structures 1998, 2000 and 2004) and mortality rates in accordance with mortality table DAV 1994 T, separately for men and women.

Studies by the German Association of Actuaries (DAV) regarding longevity trends revealed that the mortality table DAV 1994 R is no longer appropriate for determining pension reserves. In a guideline published on 21 June 2004, the DAV released new mortality tables both for new business (mortality table DAV 2004 R) and for existing pension insurance portfolios (mortality table DAV 2004 R-Bestand and R-B20 respectively).

Under consideration of the probabilities of individual company cancellation and lump-sum settlement, the actuarial reserves for the entire portfolio of deferred and current pension insurance policies were also calculated according to the new tables as of 31 December 2014 and supplementary reserves were set aside for the positive difference of €11.21 million between new and old actuarial reserves.

With effect from 1 January 2005, the rate structure for pension insurance according to the previous calculation basis was closed to new policies. Since then, new pension insurance policies have been sold solely using rates according to the latest calculation basis at an actuarial interest rate of 2.75 percent (rate structure 2004), 2.25 percent (rate structures 2007 and 2008) and 1.75 percent (rate structures 2012 and 2013). In-house unisex tables based on the above-mentioned mortality tables DAV 2004 R were used for the unisex rate structure 2013.

The disability tables DAV 1997 I with an actuarial interest rate of 2.25 percent (rate structure 2008) and 1.75 percent (rate structure 2012) respectively were used for supplementary disability insurance. In-house unisex disability tables based on disability tables published by the reinsurer were used for the unisex rate structures 2013 and 2014.

Pursuant to the amendment of the German actuarial reserve ordinance (DeckRV) of 1 March 2011, an additional actuarial reserve (supplementary interest reserve) was formed for the rates whose guaranteed interest rate is higher than the benchmark interest rate of 3.15 percent for the new portfolio and 2.95 percent for the old portfolio for fiscal year 2014. This supplementary interest reserve amounted to €90.67 million where the increase in the fiscal year under review was €43.42 million.

We have performed a control calculation using the current calculation principles of the German Association of Actuaries for supplementary disability insurance policies closed for new policies using older calculation principles. This resulted in a need to set aside additional reserves of €0.69 million.

Claims against policyholders for outstanding policy acquisition costs which could not be offset against the actuarial reserve were declared as assets under item D. I. No. 1. b. after deduction of the general provisions made for anticipated defaults.

The **health insurance actuarial reserve** was calculated according to the actuarial principles defined in the technical calculation principles individually for each insurance policy based on the respective policy data. The transfer values included in the actuarial reserve were determined pursuant to Art. 13a of the German Calculation Regulations (KalV). The average interest rate is 3.40 percent.

Premium components from the anticipated non-contributory **child accident insurance policies** are transferred to the actuarial reserves for children's accidents. The calculation is performed according to mathematic principles as per the underwriting business plan.

23 **Provisions for outstanding claims** for the self-contracted property and accident insurance segment are organized by year of occurrence, separated into those claims reported during the respective fiscal year and those reported after the day of accounting as well as those to be expected. In addition, reserves for claim settlement costs were calculated in accordance with Art. 341g (1) HGB (for domestic Group subsidiaries according to the Coordinated Regulations of the German Federal States of 2 February 1973). Claims reserves were reduced for the property insurers by claim reimbursement receivables expected to be realized in the near future.

Provisions for outstanding claims for the assumed reinsurance business are stated according to the information provided by the primary insurer. For the business assumed from British primary insurers, provisions were created according to the principles applicable to self-contracted business with the exception of claims settlement costs.

The portion of reinsured business was determined in accordance with the provisions of the reinsurance policies.

Provisions **for life insurance claims and surrenders reported but not yet settled** as of the day of accounting were formed on the basis of the expected amounts to be paid. Provisions were made for claims from the fiscal year under review not yet reported as of the day of accounting (late claims) based on experiential values.

Provision was also made for the costs of settling these insurance benefits expected to be incurred after the day of accounting in accordance with tax regulations.

In accordance with the German Federal Court rulings of 12 October 2005 and 29 July 2012, the actuarial reserve was increased by a flat-rate amount of €2.7 million for the non-contributory policies affected. A further provision of €0.3 million was formed for surrenders that are affected which have already been canceled, but have not yet expired.

Provisions for **health insurance claims reported, but not yet settled** as of the day of accounting were determined on the basis of claims payments in the fiscal year under review relating to previous years factoring in the increase in volume. Special effects compared with the previous years were taken into account separately.

The expenses for settling these claims relating to previous years expected to be incurred after the day of accounting were also calculated in accordance with tax regulations pursuant to Art. 341g (1) HGB based on the Coordinated Regulations of the German Federal States of 2 February 1973.

Receivables from regress were subtracted from the provisions.

24 The **fluctuation reserve** for the business area in Europe with the exception of Norway and Sweden was formed in compliance with the provisions in Art. 341 h HGB in conjunction with Art. 29 RechVersV. The fluctuation reserve for business areas in the US, Norway and Sweden was calculated in accordance with local supervisory regulations.

25 The **cancellation reserve** for discontinuation or reduction of the underwriting risk is calculated on the basis of anticipated requirements. **Provisions for impending losses** were formed in accordance with Art. 31 (1) (2) RechVersV. This was done by examining the loss-making branches of the business with regard to policies already sold and producing long-term projections over a multi-annual time frame. The expected loss calculated was transferred to the provisions for impending losses.

26 **Pension reserves** were calculated according to the customary international projected unit credit method in conjunction with Art. 253 (1) clause 2 HGB on the basis of Prof. Dr. Klaus Heubeck's table 2005G and local mortality tables respectively, which accurately reflect life expectancy. In addition to current facts, future developments in terms of salaries, pensions and fluctuation were also taken into account. Discounting was performed on the basis of the average interest rate of the last seven years published by the Bundesbank in accordance with the applicable regulation (RückAbzinsV) with an assumed residual term of 15 years pursuant to Art. 253 (2) clause 2 HGB.

The following actuarial parameters were applied when determining pension obligations: pension age: age 65; scheduled salary increase: 2.5 percent; scheduled pension increase: 1.75 percent, Spain 2.5 percent, interest rate: 4.54 percent (actual interest rate according to Art. 253 (2) clause 2 HGB: 4.53 percent).

The factored-in fluctuation corresponds to the generally observable, age-dependent industry average (1.5 percent or scale according to age) and has only a negligible effect on the settlement amount.

The initial difference resulting from the new valuation requirements in Art. 253 (1) clause 2 and (2) HGB as of 1 January 2010 amounted to €17,524,490.00. Of this, €15,394,227.00 was transferred to the pension reserve by 31 December 2014 and consequently, in the future, and no later than December 31, 2024, another €2,130,263.00 (previous year: €2,397,107.00) will be transferred to this reserve pursuant to Art. 67 (1) EGHGB.

Since 2010, assets that are beyond the reach of all other creditors and serve solely to settle debts arising from pension obligations are offset against the obligation. This line item is thus calculated as follows:

Net pension provisions

(in euros)	2014	2013
Settlement amount of vested claims	229,663,950.00	217,311,806.75
Offset assets (present value)	–6,236,840.70	–4,860,822.85
Not yet transferred pursuant to Art. 67 (1) EGHGB	–2,130,263.00	–2,397,107.00
Balance sheet statement	**221,296,846.30**	**210,053,876.90**

In the fiscal year under review, interest earnings of €260,303.38 (previous year: €141,662.24) from the covering fund assets were offset against interest charges from the transfer of the obligation to the Statement of Profit and Loss.
The discretionary right pursuant to Art. 28 (1) EGHGB to waive the formation of pension reserves for prior commitments was not exercised.

27 The **reserves for early retirement obligations** were formed solely to cover those persons with individual contractual guarantees. Calculation was performed according to actuarial principles.
In the fiscal year under review, a **reserve was set up in accordance with the senior part-time agreement** for the private insurance industry, adopted on 11 June 1997 following the statement issued by the IDW (Institute of Auditors) RS HFA 3 on 18 November 1998, with a term-appropriate interest rate of 4.54 percent. The reserve concept factors in natural staff turnover and the probability that those candidates with whom no specific agreement has yet been reached will make use of early retirement provisions. Insolvency security for balances of employees' work hour accounts pursuant to Art. 8 a of the German law governing senior part-time employment (AltTZG) was provided through a maximum liability guarantee from a German commercial bank in the previous year. Investment fund shares intended as insolvency security for balances of employees' work hour accounts pursuant to Art. 8 a of the German law governing partial early retirement were offset against the obligation from senior part-time agreements at the market value of €1,828,761.84. The purchase costs of the investment fund shares amounted to €1,835,777.51. The settlement amount of offset debts is €2,262,113.00.
Other reserves and **tax reserves** are valued at the level deemed necessary to meet the obligations according to sound business judgment. A **reserve for employee anniversary** bonuses was formed in the year under review for special payments on the occasion of employee service anniversaries. This was calculated using the projected unit cost method factoring in life expectancy rates based on Professor Klaus Heubeck's 2005 G table and applying a discount rate of 4.54 percent. Average fluctuation of 1.5 percent and a scheduled salary increase of 2.5 percent were taken into consideration. The earliest possible pension age is selected as the end age pursuant to the German Pension Insurance – Retirement Age Adjustment Act (RVAGAnpG).

28 **Portfolio liabilities for reinsurance business** and **other liabilities** are stated at their settlement values.

29 **Liabilities from self-contracted insurance business** and **unsettled reinsurance claims** are reported at their settlement values (par value).

30 **Debts to banks** essentially derive from the property development segment and have a remaining term of less than five years. They are valued at the settlement amount and secured by liens on properties intended for sale in the amount of €25,283,008.22 (previous year: €26,300,880.14).

Liabilities with a remaining term of more than five years exist in the amount of €1,066,663.09 (previous year: €1,269,471.84) from premium deposits in life insurance.

31 **Accrued and deferred items** contain differences in accordance with Art. 341c (2) clause 1 HGB of €14,629,124.41 (previous year: €859,515.60).

32 Group equity

A detailed presentation of the Group's equity can be found on pages 92 and 93. This presentation was compiled in accordance with DRS 7. Self-generated Group equity is defined as the portion of the Group's equity that was formed from the Group's net profit for the fiscal year under review and/or previous fiscal years. It comprises revenue reserves, profit carried forward and net profit and is differentiated for the majorities and the minorities that directly or indirectly hold shares in the subsidiaries included in the Consolidated Financial Statements.

The remaining Group profit includes changes in the Group equity during the fiscal year under review which cannot be shown in the Statement of Profit and Loss due to commercial accounting principles and DRSC regulations and which are not due to payments received or payments made on the shareholder level.

The subscribed capital of the Group umbrella company is €200,000,000.00 and is divided into 200,000 no-par stock. All the shares are registered in the respective names. The subscribed capital is fully paid up.

Associated companies

Total goodwill from the inclusion of associated companies applying the equity method on 31 December 2014 amounted to €0.00 (previous year: €0.00). Therefore, the goodwill of the associated companies was not depreciated during the fiscal year under review.

The financial statements of the only associated company present the following picture:

AXA-ARAG Rechtsschutzversicherung

(in thousand CHF)	2014	2013
A. Capital investments	212,885	200,175
B. Accounts receivable	3,937	4,430
C. Other assets	12,038	13,892
D. Accrued and deferred items	4,288	4,761
Balance sheet assets	**233,148**	**223,258**
A. Equity	45,416	41,403
B. Underwriting reserves	159,584	153,254
C. Other provisions	684	665
D. Liabilities	7,165	14,367
E. Accrued and deferred items	20,299	13,569
Balance sheet liabilities	**233,148**	**223,258**
I. Underwriting result	9,676	10,015
II. Income from capital investments	6,941	4,939
III. Other income/expenses	– 77	– 120
IV. Tax expenditure	– 3,527	– 2,960
V. Net profit	**13,013**	**11,874**

33 II. Source of Insurance Business by Premiums Written

Country/source	Self-contracted business				Assumed reinsurance business		Total business
(in thousand euros)	Legal insurance	Property and accident insurance	Health insurance	Life insurance	Legal insurance	Property and accident insurance	
Germany	291,406	192,258	340,491	221,598		130	1,045,883
The Netherlands	84,816				46,225		131,041
Austria	56,613						56,613
USA	63,814				5,748		69,562
Spain	42,547	35,061			15,842	6,096	99,546
Italy	25,224	4,409			68,151	878	98,662
Belgium	22,311				473		22,784
Norway	35,471						35,471
Greece	3,710				379		4,089
Slovenia	1,757						1,757
Portugal	304				505		809
Sweden	872						872
UK					21,066		21,066
Total	**628,845**	**231,728**	**340,491**	**221,598**	**158,389**	**7,104**	**1,588,155**

34 III. Development of Assets B., C. I. through IV. in Fiscal Year 2014

Development of assets

(in thousand euros)	Balance sheet values 1 January 2014	Additions	Added/removed from scope of consolidation	Transfers
B. Intangible assets				
1. Purchased goodwill	26,097			
2. Other intangible assets	8,973	4,550		
Total B.	**35,070**	**4,550**		
C. I. Real estate, comparable rights and buildings including those on third-party property	**219,709**	**5,649**		
C. II. Capital investments in affiliated companies and shareholdings				
1. Shares in affiliated companies	1,990	1,056		95
2. Lending to affiliated companies		221		
3. Shareholdings	36,638	1,732		– 95
4. Lending to companies with which a shareholding relationship exists				
Total C. II.	**38,628**	**3,009**		
C. III. Other capital investments				
1. Stocks, investment fund shares and other non-fixed interest securities	2,323,012	369,673		
2. Bearer bonds and other fixed interest securities	1,206,616	386,044		
3. Mortgages receivable, other similar rights and fixed-interest debts	154,882	619		
4. Other lending				
a) Registered debentures	783,056	247,000		
b) Promissory notes and loans	521,810	154,000		
c) Loans and advance payments on insurance policies	60,260	4,229		
d) Remaining lending	15,052	282		
5. Bank deposits	332,304			
6. Other capital investments	20,983	3,073		
Total C. III.	**5,417,975**	**1,164,920**		
Total C. I. to C. III.	**5,676,312**	**1,173,578**		
C. IV. Portfolio receivables from assumed reinsurance business	**26,481**	**3,868**		
Total capital investments C. I. through C. IV.	**5,702,793**	**1,177,446**		

Real estate, similar rights and buildings including those on third-party property with a balance sheet value of €136,116,886.17 were used by the Group insurance companies for their own operations.

Disposals	Exchange rate adjustments	Write-ups	Write-downs	Balance sheet values 31 December 2014	Present values according to Art. 54 RechVersV	Hidden reserves
	279		3,386	22,990		
33			4,161	9,328		
33	**279**		**7,547**	**32,319**		
120			**5,624**	**219,614**	**327,358**	**107,744**
			54	3,087	3,962	875
				221	221	0
2,372			3,619	32,284	58,314	26,030
						0
2,372			**3,673**	**35,592**	**62,497**	**26,905**
546,132	977	36,187	2,425	2,181,292	2,264,920	83,628
166,212	3,080	6,585	2,660	1,433,453	1,639,486	206,033
23,265		36	1,651	130,621	153,855	23,234
55,000				975,056	1,237,391	262,335
24,997				650,813	763,266	112,453
10,102				54,387	54,387	0
4,860			1,055	9,419	9,419	0
102,293	1,275			231,286	231,286	0
1,438			166	22,452	28,095	5,643
934,299	**5,332**	**42,808**	**7,957**	**5,688,779**	**6,382,105**	**693,326**
936,791	**5,332**	**42,808**	**17,254**	**5,943,985**	**6,771,960**	**827,975**
				30,349	**30,349**	**0**
936,791	**5,332**	**42,808**	**17,254**	**5,974,334**	**6,802,309**	**827,975**

IV. Additional Information

Information on capital investments

The capital investment portfolio contains the following investment assets of which over 10 percent is held by the Company:

Special investment funds

Name	Type of fund	Investment objective	Book value 31 Dec. 2014	Market value 31 Dec. 2014	Difference	Dividend 2014	Redemption
			(in euros)	*(in euros)*	*(in euros)*	*(in euros)*	
ADRERENT	Bond fund	Increased earnings	72,450,540.17	77,335,929.55	4,885,389.38	2,050,685.68	On demand
ATRI	Bond fund	Increased earnings	147,876,689.33	147,876,689.33	0.00	3,974,591.81	On demand
ARRE	Mixed fund	Increased earnings	227,087,013.91	242,019,556.26	14,932,542.35	6,292,956.32	On demand
ARI 1	Bond fund	Increased earnings	213,333,138.38	214,721,207.42	1,388,069.04	10,378,650.54	On demand
ALLTRIRENT	Bond fund	Increased earnings	64,831,833.03	74,055,406.38	9,223,573.35	1,810,376.42	On demand
ALLTRI	Mixed fund	Increased earnings	125,832,306.31	142,385,374.57	16,553,068.26	3,595,937.86	On demand
ADZ	Bond fund	Increased earnings	109,192,866.22	109,192,866.22	0.00	8,642,304.00	On demand
EMA	Stock fund	Increased earnings	54,039,804.39	54,039,804.39	0.00	1,258,956.00	On demand
AKR	Bond fund	Increased earnings	226,560,925.05	235,270,326.27	8,709,401.22	5,631,001.60	On demand
BORGIA	Bond fund	Increased earnings	198,610,277.65	198,610,277.65	0.00	8,879,172.13	On demand
ALP	Bond fund	Increased earnings	107,120,577.29	107,120,577.29	0.00	4,271,696.96	On demand
ALF 2	Bond fund	Increased earnings	0.00	0.00	0.00	779,173.69	On demand
ALF 1	Mixed fund	Increased earnings	155,143,429.17	155,143,429.17	0.00	9,431,025.20	On demand
ALM	Bond fund	Increased earnings	201,468,134.59	201,468,134.59	0.00	9,631,383.04	On demand
AAF	Stock fund	Increased earnings	94,701,478.57	99,720,489.92	5,019,011.35	3,584,413.94	On demand
VM Sterntaler	Mixed fund	Increased earnings	4,938,732.00	6,183,864.00	1,245,132.00	79,704.00	On demand
SIVE Fonds INKA	Stock fund	Increased earnings	94,087,157.49	106,407,071.90	12,319,914.41	3,493,503.52	On demand
			2,097,274,903.55	**2,171,551,004.91**	**74,276,101.36**	**83,785,532.71**	

The investment objectives of the funds, which are exchange-tradable with notice, are oriented toward the respective benchmark requirements derived from the strategic capital investment structure.
The option of valuation according to the modified lower of cost or market principle in accordance with Art. 341 b (2) subclause 2 HGB was exercised for those special investment fund shares that have been designated for permanent use in the Group's working capital. The book value of this portfolio amounts to €2,092,336,171.55 (previous year: €2,006,798,846.93) and the market value amounts to €2,165,367,140.91 (previous year: €2,023,760,553.26). No hidden reserves were created through the transfer to investment assets.

Write-ups in accordance with Art. 253 (5) HGB were carried out on this portfolio in the fiscal year under review in the amount of €35,664,769.04 (previous year: €21,170,847.00). Due to the high volatility of the capital markets, the principles for determining the value to be reported in accordance with Art. 253 (3) clause 3 HGB were established through an agreement between the German Federal Financial Supervisory Authority (BaFin) and the German Insurance Association (GDV). These principles were observed in the valuation according to the regulations for investment assets.

35 Explanation of deferred taxes

The deferred taxes stated in the balance sheet result from differences between the commercial balance sheet and tax valuations and relate to the following line items:

Balance sheet item

(in thousand euros)	**Deferred taxes 31 Dec. 2014**	**Deferred taxes 31 Dec. 2013**
Intangible assets	532	1,309
Capital investments	5,299	3,890
Accounts receivable	1,330	915
Other assets	565	1,243
Accrued income	– 113	– 22
Special reserve item	100	97
Underwriting reserves	32,290	32,777
Other reserves	12,261	8,739
Other liabilities	0	– 32
Deferred liabilities	0	0
Losses carried forward	0	22
	52,264	**48,938**

The balance for the previous year includes deferred taxes of €22,439.45 due to losses carried forward of €131,996.78. The losses carried forward were offset completely in the fiscal year under review.

36 Unrealized gains from capital investments

The figure reported here represents the difference between the present values or purchase prices of capital investments for the account and risk of life insurance policies as calculated at the beginning and end of the fiscal year, respectively. Corresponding costs are included in the line item "Change in other net underwriting reserves".

37 Extraordinary operating result

Extraordinary income and expenses were due mainly to the application of the transitional provisions of the German Accounting Law Modernization Act (BilMoG) of May 25, 2009, set forth in Art. 67 (1) EGHGB for the valuation of pension and senior part-time retirement obligations.

38 Taxes on income and earnings

The income tax charges in the Statement of Profit and Loss are determined as follows:

Income taxes

		2014		2013
	(in percent)	*(in euros)*	*(in percent)*	*(in euros)*
Operating result before taxes (commercial balance sheet)		84,209,205.19		75,822,610.63
Expected income tax expenditure according to tax rate	31.2	**26,294,324.32**	31.2	**23,675,610.17**
Actual taxes		38,800,486.13		22,179,455.02
Deferred taxes		– 3,325,803.81		3,270,843.83
Stated income tax expenditure		**35,474,682.32**		**25,450,298.85**
Effective tax rate	42.13		33.57	
Other taxes		1,480,776.15		1,599,766.92
Tax expenditure as per Statement of Profit and Loss		**36,955,458.47**		**27,050,065.77**

The difference between anticipated and actual tax expenditure results mainly from tax-free income and non-deductible expenses, the net losses with no tax effect for some Group subsidiaries and the change in temporary differences in capital investments and reserves. In the fiscal year under review, safety margin deductions in the amount of €11.8 million (previous year: €13.7 million) were made on capitalized deferred taxes.

Other financial obligations in accordance with Art. 285 (3) HGB

In the real estate development segment, the financial obligations from construction contracts concluded in ongoing business operations for buildings under construction and from land purchase contracts amount to €10,721,917.48 (previous year: €6,401,434.48). There are also warranty obligations to customers from the real estate development business; a suitable reserve has been formed for these obligations.

Rental contracts and leases with varying terms for premises, vehicles, office equipment as well as hardware and software in a computer center, which were not concluded in the context of insurance business, give rise to total annual obligations within the normal scope for our industry.

The Group is liable for the following outstanding capital contributions from partly owned subsidiaries:

Outstanding contributions

Name of company	*(in euros)*
INVESCO Beteiligungsverwaltungs GmbH & Co. KG	243,380.86
RREEF Pan European Infrastructure Feeder GmbH & Co. KG	934,239.43
ACF V Growth Buy-out Europe GmbH & Co. KG	5,080,005.61
AXA LBO Fund V Core	2,077,731.78
AXA LBO Fund V Supplementary	275,212.00
FOYER-ARAG S. A., Luxembourg	24,788.00

None of these outstanding contributions has been called in. It is expected that RREEF Pan-European Infrastructure Feeder GmbH & Co. KG, ACF V Growth Buy-out Europe GmbH & Co. KG and AXA LBO Fund V will call in contributions in the near future. The remaining outstanding contributions are not being called in for the time being.

Liability relationships

Pursuant to Art. 124 ff of the German Insurance Supervisory Act (VAG), the Group is a member of the guarantee fund for life insurers. On the basis of the relevant official regulation (Sicherungsfonds-Finanzierungs-Verordnung (Leben)), the guarantee fund levies annual contributions of no more than 0.2 per mil of the total net underwriting reserves until a guarantee fund of 1 per mil of the total net underwriting reserves has been formed. No future obligations exist based on this. The guarantee fund can also levy extraordinary contributions of a further 1 per mil of the total net underwriting reserves; this is equivalent to an obligation of €3,391,622.75 (previous year: €3,472,462.34). Additionally, the Group has undertaken to provide the guarantee fund or alternatively Protektor Lebensversicherung-AG with funds should the resources of the guarantee fund prove inadequate in the event of a reorganization. This obligation amounts to one percent of the total net underwriting reserves including the contributions already paid into the guarantee fund at this time. When the above contribution obligations from premium payments to the guarantee fund are included, the total obligation as of the day of accounting is €33,916,227.50 (previous year: €31,252,161.06). Pursuant to Art. 124 ff VAG, the Group is also a member of the guarantee fund for health insurers. The guarantee fund can levy contributions of no more than 2 per mil of the total net underwriting reserves for health insurance in the amount of €3,043,176.88 (previous year: €2,800,000.00).

Auditor's fees

These Consolidated Financial Statements were audited by PricewaterhouseCoopers AG, Düsseldorf. The Group subsidiaries spent €554,000.00 (previous year: €546,000.00) on auditor's fees plus €280,000.00 (previous year: €280,000.00) on auditing the ARAG SE branches. A total of €154,800.00 (previous year: €96,299.43) was spent on other consulting services. €40,663.25 was spent on tax consulting services (previous year: €10,000). In addition to fees, the usual amount of expenditures was incurred. The income tax on all amounts is also posted as an expense in the absence of an entitlement to an input tax deduction.

39 Costs for premium rebates for own account

(in euros)	2014	2013
Costs for profit-linked premium rebates	62,930,566.99	55,153,487.12
Costs for non-profit-linked premium rebates	1,316,340.66	448,570.92
Total expenditure	**64,246,907.65**	**55,602,058.04**

Commissions and other remuneration paid to insurance representatives, employee costs

(in euros)	2014	2013
1. Commissions of all types for insurance representatives within the meaning of Art. 92 HGB for self-contracted insurance business	233,006,565.14	204,883,113.60
2. Other remuneration paid to insurance representatives within the meaning of Art. 92 HGB	15,107,257.36	13,461,102.37
3. Wages and salaries	217,674,512.32	209,954,405.13
4. Social security and support expenses	34,551,583.17	42,924,044.52
5. Expenses for pension plans	22,360,564.80	18,327,933.37
6. Total expenditure	**522,700,482.79**	**489,550,598.99**

Average number of employees over the year

On average over the entire year, the companies included fully in the Consolidated Financial Statements employed a total of 3,667 people (previous year: 3,586). As of 31 December 2014, the Group employed a total of 3,713 employees (previous year: 3,611).
The insurance companies employed an average of 3,244 people (previous year: 3,177). On average, 438 people (previous year: 414) were employed in the management and service companies. The German Group subsidiaries additionally employed 11 (previous year: 20) trainees.

Remuneration paid to the Supervisory Board and the Board of Management of ARAG Holding SE

The cost of remuneration paid to the Supervisory Board amounted to €309,400.00.
Remuneration paid to members of the Board of Management of the parent company of all Group companies amounted to €1,511,385.22. There are no current pensions or vested pension rights for former members of the Board of Management or their surviving dependents.

Düsseldorf, 20 April 2015

Board of Management

Dr. Dr. h. c. Paul-Otto Faßbender Dr. Karl-Heinz Strohe

Statement of Cash Flow for Fiscal Year 2014

Consolidated Cash Flow Statement

(in euros)	2014	2013
I. Cash flow from current business		
Net income before deduction of external components:	47,253,747	48,772,545
Change in net underwriting reserves	193,058,961	179,176,379
Change in portfolio receivables and liabilities and settlement assets and liabilities	– 13,487,381	– 1,872,344
Change in other assets and liabilities	– 15,874,818	24,628,800
Profit/loss from the sale of capital investments	– 29,141,534	– 27,740,621
Change in deferred taxes	– 3,325,804	3,270,844
Changes in other assets and liabilities	89,916,590	52,773,207
Depreciation on intangible assets	7,547,238	14,029,028
Write-downs on capital investments	17,348,966	32,042,908
Write-ups on capital investments	– 61,103,588	– 51,226,395
Currency exchange rate effects	– 126,652	– 802,030
Cash flow from current business	**232,065,725**	**273,052,321**
II. Cash flow from investment activities		
Disbursements arising from the acquisition of consolidated companies and other business units	0	– 32,441,896
Payments received from the sale and maturity of other capital investments	784,129,140	688,297,207
Disbursements arising from the purchase of other capital investments	– 1,025,878,786	– 872,453,072
Payments arising from the sale of capital investments in mutual fund-linked life insurance*	0	0
Disbursements arising from the purchase of capital investments in mutual fund-linked life insurance*	0	0
Other payments received	33,304	101,466
Other disbursements	– 4,549,880	– 18,888,490
Cash flow from investment activities	**– 246,266,222**	**– 235,384,785**
III. Cash flow from financing activities		
Shareholder contributions	0	0
Dividend payments	– 10,000,000	– 10,000,000
Payments and disbursements from other financing activities	30,000,000	0
Cash flow from financing activities	**20,000,000**	**– 10,000,000**
Effective changes in cash reserves	**5,799,503**	**27,667,536**
Cash reserves at start of fiscal year	132,606,068	104,938,532
Cash reserves at end of fiscal year	138,405,571	132,606,068
Change in cash reserves in fiscal year	**5,799,503**	**27,667,536**

* Receipts and disbursements are transacted on the operating asset level. Transfers to investment assets or repatriations from investment assets to operating assets are non-cash items. They are performed through cross entries. All payment transactions are included in the capital investments to which the operating assets belong. The figures for the previous year have been adjusted in this respect.

40 Statement of Equity

Development over the course of the fiscal year

(in euros)	Subscribed capital	Unpaid contributions not yet called in	Self-generated Group equity	Balancing item for currency conversion	Equity according to consolidated balance sheet
I. Parent company					
Status as at 31 December 2013	200,000,000.00	0.00	162,289,939.36	–935,199.93	361,354,739.43
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–10,000,000.00		–10,000,000.00
Changes in the scope of consolidation			0.00		0.00
Other changes			–8,471,921.38	5,423,683.81	–3,048,237.57
Group profit/loss for year			45,220,453.23		45,220,453.23
Other Group profit/loss					0.00
Overall Group profit/loss			45,220,453.23	0.00	45,220,453.23
Status as at 31 December 2014	**200,000,000.00**	**0.00**	**189,038,471.21**	**4,488,483.88**	**393,526,955.09**
II. Minority shareholders					
Status as at 31 December 2013	0.00	0.00	32,731,231.37	27,363.66	32,758,595.03
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–555,495.69		–555,495.69
Changes in the scope of consolidation			0.00		0.00
Other changes			–27,139,946.66	531.02	–27,139,415.64
Group profit/loss for year			2,033,293.49		2,033,293.49
Other Group profit/loss					0.00
Overall Group profit/loss			2,033,293.49	0.00	2,033,293.49
Status as at 31 December 2014	**0.00**	**0.00**	**7,069,082.51**	**27,894.68**	**7,096,977.19**
III. Group equity					
Status as at 31 December 2013	200,000,000.00	0.00	195,021,170.73	–907,836.27	394,113,334.46
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–10,555,495.69		–10,555,495.69
Changes in the scope of consolidation			0.00		0.00
Other changes			–35,611,868.04	5,424,214.83	–30,187,653.21
Group profit/loss for year			47,253,746.72		47,253,746.72
Other Group profit/loss					0.00
Overall Group profit/loss			47,253,746.72	0.00	47,253,746.72
Status as at 31 December 2014	**200,000,000.00**	**0.00**	**196,107,553.72**	**4,516,378.56**	**400,623,932.28**

Development in previous year

(in euros)	Subscribed capital	Unpaid contributions not yet called in	Self-generated Group equity	Balancing item for currency conversion	Equity according to consolidated balance sheet
I. Parent company					
Status as at 31 December 2012	200,000,000.00	0.00	125,490,984.18	2,138,146.61	327,629,130.79
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–10,000,000.00		–10,000,000.00
Changes in the scope of consolidation			0.00		0.00
Other changes			0.00	–3,073,346.54	–3,073,346.54
Group profit/loss for year			46,798,955.18		46,798,955.18
Other Group profit/loss					0.00
Overall Group profit/loss			46,798,955.18	0.00	46,798,955.18
Status as at 31 December 2013	**200,000,000.00**	**0.00**	**162,289,939.36**	**–935,199.93**	**361,354,739.43**
II. Minority shareholders					
Status as at 31 December 2012	0.00	0.00	33,694,028.96	98,503.07	33,792,532.03
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–539,334.91		–539,334.91
Changes in the scope of consolidation			–2,397,052.36		–2,397,052.36
Other changes			0.00	–71,139.41	–71,139.41
Group profit/loss for year			1,973,589.68		1,973,589.68
Other Group profit/loss					0.00
Overall Group profit/loss			1,973,589.68	0.00	1,973,589.68
Status as at 31 December 2013	**0.00**	**0.00**	**32,731,231.37**	**27,363.66**	**32,758,595.03**
III. Group equity					
Status as at 31 December 2012	200,000,000.00	0.00	159,185,013.14	2,236,649.68	361,421,662.82
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid			–10,539,334.91		–10,539,334.91
Changes in the scope of consolidation			–2,397,052.36		–2,397,052.36
Other changes				–3,144,485.95	–3,144,485.95
Group profit/loss for year			48,772,544.86		48,772,544.86
Other Group profit/loss					0.00
Overall Group profit/loss			48,772,544.86	0.00	48,772,544.86
Status as at 31 December 2013	**200,000,000.00**	**0.00**	**195,021,170.73**	**–907,836.27**	**394,113,334.46**

Segment Reporting – Balance Sheet

(in thousand euros)	Legal insurance		Composite insurance		Health insurance	
	2014	2013	2014	2013	2014	2013
A. Intangible assets	**8,506**	**8,193**	**0**	**0**	**73**	**95**
B. Capital investments	**1,867,832**	**1,765,519**	**435,867**	**441,745**	**1,555,272**	**1,400,156**
I. Real estate and buildings including those on third-party property	66,627	68,997	37,124	38,039	7,500	7,622
II. Capital investments in affiliated companies and shareholdings	356,564	368,534	36,182	36,879	7,787	8,557
III. Other capital investments	1,416,272	1,303,487	360,581	364,847	1,539,984	1,383,976
IV. Portfolio receivables from assumed reinsurance business	28,369	24,501	1,980	1,980	0	0
C. Capital investments for the account and risk of life insurance policyholders	**0**	**0**	**0**	**0**	**0**	**0**
D. Other assets by segment	**298,313**	**266,413**	**22,872**	**21,149**	**42,599**	**39,009**
Total segment assets	**2,174,651**	**2,040,125**	**458,739**	**462,894**	**1,597,944**	**1,439,259**
A. Underwriting reserves	**1,260,267**	**1,216,146**	**292,818**	**301,143**	**1,521,588**	**1,376,559**
I. Unearned premiums	177,222	167,250	39,424	38,250	13,421	12,808
II. Actuarial reserves	0	0	7	5	1,284,098	1,174,619
III. Provision for outstanding claims	1,082,971	1,046,476	224,292	219,685	52,199	50,758
IV. Provisions for premium rebates	0	0	0	0	171,485	137,879
V. Fluctuation provision	0	0	60,036	71,550	0	0
VI. Other underwriting reserves	2,198	4,371	1,940	1,981	385	494
VII. Reinsurers' share of underwriting reserves	–2,125	–1,950	–32,881	–30,328	0	0
B. Underwriting reserves in the life insurance segment, insofar as the investment risk is borne by the policyholders	**0**	**0**	**0**	**0**	**0**	**0**
C. Other liabilities by segment	**387,114**	**328,278**	**48,303**	**42,613**	**24,330**	**15,489**
Total segment assets	**1,647,381**	**1,544,424**	**341,121**	**343,756**	**1,545,918**	**1,392,048**
Equity*						
Total liabilities						

* Group equity including shares held by other shareholders and difference arising from capital consolidation

Segment reporting has been largely adapted to comply with applicable German Accounting Standard DRS 3-20 issued by the German Standardization Council (DSR). The segment figures are shown after consolidation of internal transactions within the respective line of business. Reconciliation with the consolidated value is shown by the information in the "Consolidation" column.

The definition of segments by strategic lines of business was undertaken in accordance with the internal organization and management structure of the ARAG Group. The segments selected reflect the Group's risks and opportunities.

The strategic lines of business are:

- Legal insurance
- Composite insurance
- Life insurance
- Health insurance
- Services and asset management

Life insurance		Services and asset management		Total		Consolidation		Group total	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
80	**92**	**2,693**	**2,591**	**11,352**	**10,971**	**20,967**	**24,100**	**32,319**	**35,071**
2,560,491	**2,541,441**	**366,430**	**337,359**	**6,785,892**	**6,486,220**	**–811,557**	**–783,427**	**5,974,334**	**5,702,793**
99,271	98,770	9,090	7,359	219,614	220,787	0	–1,078	219,614	219,709
129,024	130,540	317,593	276,467	847,149	820,977	–811,557	–782,349	35,592	38,628
2,332,196	2,312,131	39,747	53,533	5,688,780	5,417,975	0	0	5,688,780	5,417,975
0	0	0	0	30,349	26,481	0	0	30,349	26,481
269,242	**216,937**	**0**	**0**	**269,242**	**216,937**	**0**	**0**	**269,242**	**216,937**
117,252	**133,243**	**118,896**	**133,421**	**599,933**	**593,235**	**17,502**	**12,095**	**617,435**	**605,330**
2,947,065	**2,891,714**	**488,020**	**473,371**	**7,666,418**	**7,307,364**	**–773,088**	**–747,232**	**6,893,330**	**6,560,132**
2,461,673	**2,437,077**	**0**	**0**	**5,536,346**	**5,330,925**	**0**	**0**	**5,536,346**	**5,330,925**
4,427	4,729	0	0	234,494	223,036	0	0	234,494	223,036
2,335,491	2,327,163	0	0	3,619,596	3,501,788	0	0	3,619,596	3,501,788
23,104	21,325	0	0	1,382,567	1,338,244	0	0	1,382,567	1,338,244
127,249	131,969	0	0	298,735	269,849	0	0	298,735	269,849
0	0	0	0	60,036	71,550	0	0	60,036	71,550
12,493	133	0	0	17,018	6,978	0	0	17,018	6,978
–41,093	–48,242	0	0	–76,099	–80,520	0	0	–76,099	–80,520
269,242	**216,937**	**0**	**0**	**269,242**	**216,937**	**0**	**0**	**269,242**	**216,937**
123,441	**137,921**	**103,274**	**93,198**	**686,462**	**617,499**	**0**	**0**	**686,462**	**617,499**
2,854,356	**2,791,936**	**103,274**	**93,198**	**6,492,050**	**6,165,362**	**0**	**0**	**6,492,050**	**6,165,362**
								401,280	**394,770**
								6,893,330	**6,560,132**

In addition to the Group umbrella company and the other asset-managing intermediate holding companies, the service and asset management companies include the residential real estate development company, property management companies, IT companies and service companies supporting insurance business.

The life insurance segment also includes those companies acting as service providers in the life insurance sector without being insurers themselves.

Due to the application of the “temporary concept” method for the amortization of deferred taxes, the Statement of Profit and Loss is only broken down by segments as far as the operating result before taxes.

Segment Reporting – Statement of Profit and Loss by Type of Insurance

(in thousand euros)	Legal insurance		Composite insurance		Health insurance	
	2014	2013	2014	2013	2014	2013
Underwriting income						
Gross premiums written	**787,234**	**746,938**	**238,832**	**226,455**	**340,491**	**331,694**
Self-contracted business	628,845	598,507	231,728	218,975	340,491	331,694
Assumed business	158,389	148,430	7,104	7,480	0	0
Premiums for reinsured business	– 2,798	– 2,869	– 8,481	– 7,307	– 15	– 15
Change in net unearned premiums	– 2,259	– 419	– 1,438	2,697	– 613	– 465
Earned premiums for own account	**782,177**	**743,650**	**228,913**	**221,845**	**339,863**	**331,215**
Premiums from gross provisions for premium rebates	0	0	0	0	9,163	1,018
Assigned capital gains from underwriting account	0	0	624	617	64,317	56,956
Unrealized profits from capital investments	0	0	0	0	0	0
Other underwriting result for own account	1,438	1,291	566	482	1,145	1,649
Total underwriting result	**783,615**	**744,941**	**230,103**	**222,945**	**414,487**	**390,837**
Underwriting costs						
Cost of claims for own account	– 427,125	– 419,743	– 128,418	– 102,364	– 191,426	– 185,112
Change in other net underwriting reserves	2,104	2,380	39	657	– 109,370	– 100,003
Costs for premium rebates	0	0	0	0	– 51,749	– 44,556
profit-linked portion	0	0	0	0	– 50,433	– 44,107
non-profit-linked portion	0	0	0	0	– 1,316	– 449
Unrealized losses from capital investments	0	0	0	0	0	0
Cost of insurance business	– 336,069	– 315,489	– 92,584	– 90,162	– 39,472	– 39,062
portion attributable to accounting costs	– 144,660	– 94,232	– 24,065	– 21,550	– 29,510	– 29,458
portion attributable to administrative costs	– 192,302	– 222,107	– 69,550	– 69,354	– 9,968	– 9,610
reinsurance portion	893	850	1,031	742	6	6
Assigned capital expenditures from underwriting account	0	0	0	0	– 2,854	– 7,358
Other underwriting costs for own account	– 11	0	– 1,489	– 1,732	– 1,551	– 1,754
Total underwriting costs	**– 761,101**	**– 732,852**	**– 222,451**	**– 193,601**	**– 396,422**	**– 377,845**
Subtotal	**22,515**	**12,089**	**7,652**	**29,343**	**18,064**	**12,992**
Change in fluctuation reserve and similar provisions	0	562	11,514	– 6,843	0	0
Underwriting result for own account	**22,515**	**12,650**	**19,166**	**22,500**	**18,064**	**12,992**
Income from capital investments	76,725	66,640	18,751	16,380	64,317	56,956
Costs of capital investments	– 19,611	– 18,358	– 3,822	– 5,245	– 2,854	– 7,358
Income from capital investments	**57,113**	**48,281**	**14,929**	**11,134**	**61,463**	**49,598**
Capital investment income assigned to underwriting account	0	0	0	0	– 61,463	– 49,598
Revenues	0	0	0	0	0	0
Production costs	0	0	0	0	0	0
Gross operating result	**0**	**0**	**0**	**0**	**0**	**0**
Other earnings	16,319	20,441	1,491	617	428	406
Other costs	– 52,055	– 44,796	– 7,616	– 6,178	– 3,014	– 2,784
Other income/expenses	**– 35,736**	**– 24,355**	**– 6,125**	**– 5,560**	**– 2,586**	**– 2,378**
Profit on ordinary business	**43,892**	**36,577**	**27,971**	**28,074**	**15,479**	**10,614**
Extraordinary operating result	**0**	**0**	**0**	**0**	**0**	**0**
Operating result before taxes	**43,892**	**36,577**	**27,971**	**28,074**	**15,479**	**10,614**
Tax expenditure						
Net income						
External components						
Group profit/loss for year						

	Life insurance		Services and asset management		Total		Consolidation		Group total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	221,598	**224,994**	**0**	**0**	**1,588,154**	**1,530,080**	**0**	**0**	**1,588,154**	**1,530,080**
	221,598	224,994	0	0	1,422,662	1,374,170	0	0	1,422,662	1,374,170
	0	0	0	0	165,493	155,910	0	0	165,493	155,910
	-5,063	-5,578	0	0	-16,356	-15,769	0	0	-16,356	-15,769
	119	268	0	0	-4,191	2,082	0	0	-4,191	2,082
	216,654	**219,684**	**0**	**0**	**1,567,607**	**1,516,393**	**0**	**0**	**1,567,607**	**1,516,393**
	5,372	8,511	0	0	14,534	9,529	0	0	14,534	9,529
	149,861	133,783	0	0	214,802	191,356	0	0	214,802	191,356
	21,113	28,502	0	0	21,113	28,502	0	0	21,113	28,502
	4,991	4,825	0	0	8,140	8,248	0	0	8,140	8,248
	397,990	**395,305**	**0**	**0**	**1,826,195**	**1,754,027**	**0**	**0**	**1,826,195**	**1,754,027**
	-238,901	-228,484	0	0	-985,869	-935,704	0	0	-985,869	-935,704
	-79,595	-70,267	0	0	-186,822	-167,232	0	0	-186,822	-167,232
	-12,497	-11,046	0	0	-64,247	-55,602	0	0	-64,247	-55,602
	-12,497	-11,046	0	0	-62,931	-55,153	0	0	-62,931	-55,153
	0	0	0	0	-1,316	-449	0	0	-1,316	-449
	-926	-915	0	0	-926	-915	0	0	-926	-915
	-43,418	-40,687	0	0	-511,543	-485,400	0	0	-511,543	-485,400
	-37,846	-32,980	0	0	-236,081	-178,220	0	0	-236,081	-178,220
	-7,748	-7,921	0	0	-279,567	-308,992	0	0	-279,567	-308,992
	2,176	214	0	0	4,106	1,812	0	0	4,106	1,812
	-10,354	-21,046	0	0	-13,208	-28,404	0	0	-13,208	-28,404
	-11,455	-18,530	0	0	-14,506	-22,016	0	0	-14,506	-22,016
	-397,146	**-390,976**	**0**	**0**	**-1,777,120**	**-1,695,274**	**0**	**0**	**-1,777,120**	**-1,695,274**
	844	**4,330**	**0**	**0**	**49,075**	**58,753**	**0**	**0**	**49,075**	**58,753**
	0	0	0	0	11,514	-6,281	0	0	11,514	-6,281
	844	**4,330**	**0**	**0**	**60,590**	**52,472**	**0**	**0**	**60,590**	**52,472**
	149,861	133,783	834	1,247	310,487	275,005	0	0	310,487	275,005
	-10,354	-21,046	-352	-358	-36,992	-52,366	0	0	-36,992	-52,366
	139,507	**112,737**	**482**	**889**	**273,495**	**222,639**	**0**	**0**	**273,495**	**222,639**
	-139,507	-112,737	0	0	-200,970	-162,335	0	0	-200,970	-162,335
	0	0	96,776	90,364	96,776	90,364	-39,169	-40,150	57,607	50,214
	0	0	-90,384	-85,223	-90,384	-85,223	39,169	40,150	-51,215	-45,074
	0	**0**	**6,392**	**5,140**	**6,392**	**5,140**	**0**	**0**	**6,392**	**5,140**
	962	1,045	1,752	1,987	20,952	24,496	0	0	20,952	24,496
	-5,766	-4,454	-4,399	-3,802	-72,849	-62,014	-3,133	-4,309	-75,982	-66,323
	-4,804	**-3,410**	**-2,646**	**-1,815**	**-51,897**	**-37,518**	**-3,133**	**-4,309**	**-55,030**	**-41,828**
	-3,959	**920**	**4,227**	**4,214**	**87,609**	**80,399**	**-3,133**	**-4,309**	**84,476**	**76,089**
	-197	**-197**	**-70**	**-70**	**-267**	**-267**	**0**	**0**	**-267**	**-267**
	-4,156	**723**	**4,157**	**4,144**	**87,342**	**80,132**	**-3,133**	**-4,309**	**84,209**	**75,823**
									-36,955	-27,050
									47,254	**48,773**
									-2,033	-1,974
									45,220	**46,799**

Segment Reporting – Statement of Profit and Loss by Domestic and International Busines

(in thousand euros)	National	
	2014	2013
Underwriting income		
Gross premiums written	**1,067,404**	**1,041,013**
Self-contracted business	1,046,208	1,023,782
Assumed business	21,196	17,231
Premiums for reinsured business	– 13,281	– 12,849
Change in net unearned premiums	– 3,115	1,052
Earned premiums for own account	**1,051,009**	**1,029,216**
Premiums from gross provisions for premium rebates	14,534	9,529
Assigned capital gains from underwriting account	214,802	191,356
Unrealized profits from capital investments	21,113	28,502
Other underwriting result for own account	7,978	8,080
Total underwriting result	**1,309,436**	**1,266,682**
Underwriting costs		
Cost of claims for own account	– 740,191	– 683,181
Change in other net underwriting reserves	– 188,938	– 170,042
Costs for premium rebates	– 64,247	– 55,602
profit-linked portion	– 62,931	– 55,153
non-profit-linked portion	– 1,316	– 449
Unrealized losses from capital investments	– 926	– 915
Cost of insurance business	– 283,156	– 272,228
portion attributable to accounting costs	– 131,049	– 117,714
portion attributable to administrative costs	– 155,320	– 155,476
reinsurance portion	3,213	962
Assigned capital expenditures from underwriting account	– 13,208	– 28,404
Other underwriting costs for own account	– 14,495	– 22,016
Total underwriting costs	**– 1,305,160**	**– 1,232,389**
Subtotal	**4,276**	**34,294**
Change in fluctuation reserve and similar provisions	11,710	– 2,200
Underwriting result for own account	**15,985**	**32,094**
Income from capital investments	270,687	249,708
Costs of capital investments	– 31,594	– 44,743
Income from capital investments	**239,093**	**204,964**
Capital investment income assigned to underwriting account	– 200,970	– 162,335
Revenues	96,776	90,364
Production costs	– 90,384	– 85,223
Gross operating result	**6,392**	**5,140**
Other earnings	17,177	19,170
Other costs	– 67,794	– 51,899
Other income/expenses	**– 50,617**	**– 32,729**
Profit on ordinary business	**9,883**	**47,135**
Extraordinary operating result	**– 267**	**– 267**
Operating result before taxes	**9,616**	**46,868**
Tax expenditure		
Net income	**9,616**	**46,868**
External components		
Group profit/loss for year	**9,616**	**46,868**

International		Total		Consolidation		Group total	
2014	2013	2014	2013	2014	2013	2014	2013
520,751	**489,068**	**1,588,154**	**1,530,080**	**0**	**0**	**1,588,154**	**1,530,080**
376,453	350,388	1,422,662	1,374,170	0	0	1,422,662	1,374,170
144,297	138,679	165,493	155,910	0	0	165,493	155,910
–3,076	–2,920	–16,356	–15,769	0	0	–16,356	–15,769
–1,077	1,029	–4,191	2,082	0	0	–4,191	2,082
516,598	**487,177**	**1,567,607**	**1,516,393**	**0**	**0**	**1,567,607**	**1,516,393**
0	0	14,534	9,529	0	0	14,534	9,529
0	0	214,802	191,356	0	0	214,802	191,356
0	0	21,113	28,502	0	0	21,113	28,502
162	167	8,140	8,248	0	0	8,140	8,248
516,760	**487,345**	**1,826,195**	**1,754,027**	**0**	**0**	**1,826,195**	**1,754,027**
–245,678	–252,523	–985,869	–935,704	0	0	–985,869	–935,704
2,116	2,810	–186,822	–167,232	0	0	–186,822	–167,232
0	0	–64,247	–55,602	0	0	–64,247	–55,602
0	0	–62,931	–55,153	0	0	–62,931	–55,153
0	0	–1,316	–449	0	0	–1,316	–449
0	0	–926	–915	0	0	–926	–915
–228,387	–213,172	–511,543	–485,400	0	0	–511,543	–485,400
–105,032	–60,506	–236,081	–178,220	0	0	–236,081	–178,220
–124,247	–153,516	–279,567	–308,992	0	0	–279,567	–308,992
893	850	4,106	1,812	0	0	4,106	1,812
0	0	–13,208	–28,404	0	0	–13,208	–28,404
–11	0	–14,506	–22,016	0	0	–14,506	–22,016
–471,960	**–462,885**	**–1,777,120**	**–1,695,274**	**0**	**0**	**–1,777,120**	**–1,695,274**
44,800	**24,460**	**49,075**	**58,753**	**0**	**0**	**49,075**	**58,753**
–195	–4,081	11,514	–6,281	0	0	11,514	–6,281
44,604	**20,378**	**60,590**	**52,472**	**0**	**0**	**60,590**	**52,472**
39,800	25,298	310,487	275,005	0	0	310,487	275,005
–5,398	–7,623	–36,992	–52,366	0	0	–36,992	–52,366
34,402	**17,675**	**273,495**	**222,639**	**0**	**0**	**273,495**	**222,639**
0	0	–200,970	–162,335	0	0	–200,970	–162,335
0	0	96,776	90,364	–39,169	–40,150	57,607	50,214
0	0	–90,384	–85,223	39,169	40,150	–51,215	–45,074
0	**0**	**6,392**	**5,140**	**0**	**0**	**6,392**	**5,140**
3,775	5,325	20,952	24,496	0	0	20,952	24,496
–5,055	–10,115	–72,849	–62,014	–3,133	–4,309	–75,982	–66,323
–1,280	**–4,790**	**–51,897**	**–37,518**	**–3,133**	**–4,309**	**–55,030**	**–41,828**
77,726	**33,264**	**87,609**	**80,399**	**–3,133**	**–4,309**	**84,476**	**76,089**
0	**0**	**–267**	**–267**	**0**	**0**	**–267**	**–267**
77,726	**33,264**	**87,342**	**80,132**	**–3,133**	**–4,309**	**84,209**	**75,823**
				–36,955	–27,050	–36,955	–27,050
77,726	**33,264**	**87,342**	**80,132**	**–40,088**	**–31,359**	**47,254**	**48,773**
				–2,033	–1,974	–2,033	–1,974
77,726	**33,264**	**87,342**	**80,132**	**–42,122**	**–33,333**	**45,220**	**46,799**

Auditor's Report*

We have examined the year-end Consolidated Financial Statements of ARAG Holding SE, Düsseldorf – consisting of the Balance Sheet and Statement of Profit and Loss, Appendix, Statement of Cash Flow and Statement of Equity as well as reporting by segments – and the Group Management Report for the fiscal year from 1 January to 31 December 2014. The Board of Management of the Group is responsible for preparation of the year-end Consolidated Financial Statements and the Group Management Report in compliance with German commercial regulations. Our task is to provide an assessment of the year-end Consolidated Financial Statements and the Group Management Report on the basis of our audit.

We carried out our audit of the year-end Consolidated Financial Statements in accordance with Art. 317 HGB (German Commercial Code) under consideration of the IDW's (Institute of Auditors) rules on proper auditing of year-end financial statements. These stipulate that the audit must be planned and conducted in such a manner that misstatements and violations that have a significant effect on the understanding of assets, finances and earnings as conveyed by the year-end Consolidated Financial Statements in accordance with the rules on proper accounting, and the Group Management Report, are identified with a sufficient level of certainty. In determining the specific procedure of the audit, knowledge of the nature of the business and the economic and legal background of the Group as well as possible errors to be expected are taken into consideration. The audit assesses the efficiency of the internal account auditing system and the documentation of the data given in the accounts, the year-end Consolidated Financial Statements and the Group Management Report primarily on the basis of random checks. The audit comprises the evaluation of the year-end financial statements of the companies included in the year-end Consolidated Financial Statements, the scope of consolidation, the applied accounting and consolidation methods and the key estimates of the Board of Management, as well as an evaluation of the overall representation of the year-end Consolidated Financial Statements and the Group Management Report. It is our opinion that our audit provides a sufficiently sound basis for our assessment.

Our audit has not resulted in any objections.

In our assessment on the basis of our understanding gained in the course of the audit, the Consolidated Financial Statements comply with the legal requirements and convey an accurate impression of the assets, finances and earnings situation of the Group. The Group Management Report accords with the Consolidated Financial Statements and conveys an accurate picture overall of the condition of the Group, and accurately represents the opportunities and risks attendant on in its future development.

Düsseldorf, 30 April 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Christian Sack Auditor	ppa. Sven Capousek Auditor

* Voluntary translation. It should be noted that only the German Auditor's Report, which is based on the audit of the German version of the Company's annual financial statements, is authoritative.

Report of the Supervisory Board

The Supervisory Board continually monitored and advised the Board of Management throughout the fiscal year. Seven meetings of the Supervisory Board were held to this end. Monitoring was based on the reports and verbal information provided by the Board of Management, which informed the Supervisory Board in a timely and comprehensive manner of all relevant planning issues, the business development of the Group and the affiliated companies included in the Consolidated Financial Statements, the risk situation and risk management. The Supervisory Board was also kept extensively informed of projects and plans that were of particular importance for the Group or of an urgent nature between meetings. In the meetings, the Board of Management coordinated the strategic orientation of the Group with the Supervisory Board. The Supervisory Board was involved in decisions of fundamental importance to the Group. The progress of the strategy implementation was discussed regularly in the meetings. Subjects discussed at the Supervisory Board meetings included disbursements for investments in financial assets, reappointment of board members, appropriateness of remuneration for members of the Board of Management, legal advice for Group companies.

The Supervisory Board also examined the Group's risk strategy.

No special monitoring measures were necessary during the fiscal year under review. The Supervisory Board is of the opinion that the Board of Management conducts the Group's business properly in accordance with the law and to appropriate ends. Specifically, the Board of Management fulfills its obligation to ensure the sustained existence of the Group and its long-term profitability.

The Supervisory Board has reviewed the Consolidated Financial Statements and the Group Management Report. As part of this review, the Board exercised its authority pursuant to Art. 111 (2) AktG (German Stock Corporation Act), in particular by inspecting the books and correspondence of the Group subsidiaries. This review was conducted on the basis of the regular reports provided by the Board of Management in which information regarding the business situation and all important events was disclosed both in writing and verbally, as well as on the basis of accounting requirements under commercial law.

The scope of the review of the Consolidated Financial Statements extended to the discretionary reporting and valuation rights exercised by the Board of Management. The review led to the following results:

1. The accounting of the Board of Management complies with legal requirements and the provisions set forth in the Group's Articles of Association. The Group Management Report is consistent with the Consolidated Financial Statements.
2. Discretionary decisions with respect to accounting policy were made in the interests of the Group.

The auditing firm of, PriceWaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the Consolidated Financial Statements as of 31 December 2014 under consideration of our accounting and the Group Management Report, as authorized by the Supervisory Board, and has certified these without reservation. The audit report was submitted to the Supervisory Board on time. After viewing the report on the basis of its own final examination, the Supervisory Board concurs with the auditor's opinion of the Consolidated Financial Statements. There are no remarks to be made regarding the Auditor's Report.

The Supervisory Board raises no objections following the end result of the review of the Consolidated Financial Statements, the Group Management Report and the Auditor's Report.

Düsseldorf, 22 May 2015

Chairman, Supervisory Board

Gerd Peskes

Governing Bodies of the Group

Supervisory Board

The **Supervisory Board** is comprised of the following members:

Gerd Peskes	Auditor, Essen Chairman
Prof. Dr. Dr. h. c. Rolf Dubs	University Professor, St. Gallen, Switzerland Vice Chairman
Dr. Tobias Bürgers	Attorney, Munich

Board of Management

Dr. Dr. h. c. Paul-Otto Faßbender	Chairman of the Board of Management of ARAG SE, Düsseldorf
Dr. Karl-Heinz Strohe	Attorney, Cologne

Information

ARAG provides a broad range of information about the ARAG Group, its insurance products and services in the form of numerous publications as well as extensive Web-based content. And in view of its core competence in legal insurance, ARAG's information offerings would of course be incomplete without a range of selected tips and guides on legal questions. If you have any questions, would like an insurance quote or are merely seeking sound, accurate information: get in touch with us, or visit us online.

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